

**Johnson Drive EDZ  
Economic Impact Analysis**

**Prepared for:**

**Environmental Science Associates &  
The City of Pleasanton**

**Prepared by:**

**ALH | ECON**

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March 15, 2016

Ms. Christy Herron  
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**Re: Economic Impact Analysis for Johnson Drive Economic Development Zone**

Dear Ms. Herron:

ALH Urban & Regional Economics (ALH Economics) is pleased to present this economic impact analysis of the planned Johnson Drive Economic Development Zone in the City of Pleasanton. This study highlights the study findings regarding the economic impact of the planned retail and hotel components of the EDZ, including potential club retail space. The purpose of this report is to provide an assessment of the potential for the project to cause or contribute to changes in the economy.

It has been a pleasure working with you on this project. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "Amy L. Herman".

Amy L. Herman  
Principal

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## I. EXECUTIVE SUMMARY

### INTRODUCTION

The purpose of this study is to assess economic impacts resulting from development of new club retail, general retail, and hotel space in the Johnson Drive Economic Development Zone (EDZ) in the Pleasanton, CA. This report also evaluates the potential of the EDZ to result in urban decay, which comprises prolonged physical deterioration resulting from sustained economic impacts. The EDZ is a proposed 40-acre area along Johnson Drive. Implementation of the EDZ would allow the City of Pleasanton to use zoning and land use designations, incentive programs, completed California Environmental Quality Act (CEQA) documentation, and standards and guidelines to streamline the development process and encourage investment.

The EDZ site is located in a commercial area with other nearby commercial establishments, industrial uses, and a hotel. Proposed new development includes 189,037 square feet of new general retail space, 148,000 square feet of club retail space, and a 150- or 231-room hotel. This mix of new uses is hereafter defined as the "Project." This study estimates the potential impacts of the Project on existing retailers in the Project's market area, primarily in the form of diverted sales from existing retailers. The study also estimates the potential impacts on existing hotels. The study further estimates the extent to which the opening of the Project and other cumulative retail or hotel projects may or may not contribute to urban decay pursuant to potential store closures attributable to existing retailer sales diversions and hotel closures. The key indicator of urban decay from a CEQA perspective is impacts on the physical environment, which includes existing stores and hotels and commercial real estate conditions, as measured by the current baseline. This is the baseline reflected by existing conditions discussed in this report.

The Johnson Drive EDZ new retail and hotel development would occur incrementally. Phase 1 development of 5,000 square feet of general retail space, the 148,000 square feet of club retail space, and the hotel are assumed to be complete and fully operational by 2018. The remaining balance of new general retail space would be developed sometime prior to Full Buildout of the EDZ, which is assumed to occur by 2028.

### SUMMARY OF FINDINGS

#### **Project Sales and Market Area**

ALH Economics estimates that stabilized sales for the Project would total \$172.3 million in Phase I and a total of \$241.3 million upon Full Buildout, all in 2015 dollars. Not all Project sales are deemed competitive with the existing retail sales base. Sales components not anticipated to be competitive with the retail sales base include sales made to wholesalers with resale licenses, purchases made by market area consumers recaptured from other regional club retailers, and sales made to consumers from outside the Project's market area.

The Project's general retail and club retail spaces are anticipated to draw 80% and 60% of their sales from the market area, respectively. The percentage is lower for the club retail space because market area data for nearby club retail stores suggests demand originates from a large area, with less than 60% sourced from households in the nearby environs. Based largely on locations of

competing club retail venues, the Project's market area was defined to include 18 full census tracts and three partial census tracts spanning the City of Pleasanton, the majority of the City of Dublin, and some unincorporated Alameda County areas. Consumer origin data for nearby club retail venues indicates that a large part of their consumers originate from the market area defined for the Project. This means market area consumers who want to shop at a club retail store are already doing so. It is assumed that these sales will be captured by the Project's club retail store. These redirected sales will not be diverted from any existing market area retailers but will comprise sales new to Pleasanton.

Based upon considerations of wholesale purchases, redirected sales, outside market area demand, the Project's sales anticipated to be most competitive with the existing retail base include \$66.5 million in Phase I sales and \$119.7 million in total sales at Full Buildout. These are the new sales anticipated to be generated by market area retail consumers.

The distribution of sales by retail category will vary between the general retail and club retail portions of the Project, but the overall distribution is summarized in Table 1. This distribution is based on assumptions regarding the allocation of Project space by type of retail category, and associated average sales estimates.

**Table 1. Summary of Project Sales Competitive with Market Area Retail Sales Base**

Retail Category	General Retail		Club Retail		Full Buildout	Percent of
	Phase 1	Full Buildout	Phase 1	Full Buildout	Total	Total
Motor Vehicles and Parts Dealers	\$0	\$0	\$3,143,726	\$3,143,726	\$3,143,726	3%
Home Furnishings and Appliance Stores	\$153,189	\$5,791,663	\$4,419,892	\$4,419,892	\$10,211,555	9%
Building Materials and Garden Equip.	\$142,416	\$5,384,380	\$2,645,710	\$2,645,710	\$8,030,090	7%
Food and Beverage Stores	\$0	\$0	\$32,075,342	\$32,075,342	\$32,075,342	27%
Gasoline Stations	\$0	\$0	\$6,278,039	\$6,278,039	\$6,278,039	5%
Clothing and Clothing Accessories Stores	\$365,722	\$13,827,011	\$2,023,190	\$2,023,190	\$15,850,201	13%
General Merchandise Stores	\$141,136	\$5,335,998	\$4,840,093	\$4,840,093	\$10,176,090	8%
Food Services and Drinking Places	\$288,849	\$10,920,622	\$249,008	\$249,008	\$11,169,630	9%
Other Retail Group	\$407,534	\$15,407,814	\$7,395,537	\$7,395,537	\$22,803,351	19%
<b>Total</b>	<b>\$1,498,846</b>	<b>\$56,667,487</b>	<b>\$63,070,537</b>	<b>\$63,070,537</b>	<b>\$119,738,024</b>	<b>100%</b>

Source: Exhibit 15.

The categories of sales are based upon categories defined by the State of California Board of Equalization. The "Other Retail" category is a broad category that includes a wide range of goods, such as office supplies, pet supplies, books, toys, pharmacy, jewelry, sporting goods, and gifts. As noted, the largest component of Project retail sales is estimated to comprise Food & Beverage store sales. This is attributable to the large share of club retail store sales comprising Food & Beverage sales.

## Retail Sales Base and Characterization

The combined sales bases of Pleasanton and Dublin are estimated to total \$3.0 billion, comprised of approximately equal portions between the two cities. Both Pleasanton and Dublin are retail attraction markets, meaning that more sales are captured by area retailers than would be expected from resident spending alone. This retail base attraction is characteristic of all major retail sectors except for two in Pleasanton – Building Materials & Garden Equipment and Gasoline Stations, meaning these two categories are not fully meeting demand generated by Pleasanton consumers. However, both of these categories are attraction categories in Dublin, thus the analysis assumes

the market area as a whole has attraction in all major retail categories. This suggests that recaptured leakage beyond the sales assumed to be recaptured from area club retail stores is not a likely source of demand for the Project's retail components.

### **Project Sales and Store Impacts**

Recognizing that the market area is a sales attraction market, the analysis estimates that for the Project to be successful, all of its sales from market area residents would comprise sales diverted from existing retailers, excepting demand generated by new market area households, which is significant. Based on estimated household growth averaging just over 1.0% a year, this new demand is estimated to total \$51.7 million in retail sales by 2018, an additional \$171.1 million between 2018 and Full Buildout, for a cumulative total of \$1.7 billion by Full Buildout, or 2028.

Taking Project sales generated by market area households and new demand into consideration, Phase I Project's sales impacts are estimated to total \$26.7 million for existing retailers, or 0.9% of existing market area sales. This is the amount of sales estimated to be diverted from existing market area retailers after new household demand is taken into consideration. Overall this is a nominal level of impact. However, the sales impact is anticipated in three retail categories, including \$0.3 million in Gasoline Stations, \$1.9 million in Home Furnishings & Appliances, and \$23.2 million in Food & Beverage Stores. The sales impacts in Home Furnishings & Appliances and Gasoline Stations are nominal and given the size of the sales base are not deemed large enough to result in existing retail outlet closures. Moreover, these sales impacts are anticipated to be offset quickly following completion of Phase I, including a period of less than one year for the Gasoline Station impact and just over two years for the Home Furnishings & Appliances impact. Thus, these impacts are not deemed severe enough to result in existing outlet closures.

The estimated Phase I sales impacts in the Food & Beverage Stores category are more substantial. At \$23.2 million these impacts are equivalent to 7.4% of the existing sales base. This volume of sales could result in lower store sales performance among a number of existing Food & Beverage stores, which includes at least 17 more traditional food stores in the market area, as well as numerous ethnic and other small food markets. Or the sales impacts could be concentrated among just several retailers most comparable to the discounted or bulk food options available at a club retailer. Based upon average store sales performance, the estimated volume of diverted Food & Beverage Store sales is sufficient to support approximately 36,000 square feet of space. While this level of impact could suggest the potential for one existing grocery store in the market area to be at risk of potential closure following Phase I Project development, it is unlikely based on the outcomes experienced in similar jurisdictions after club stores opened. It is further unlikely because the nature of goods available at club retail stores are typically bulk in nature, with very limited variety, such that they do not lend themselves to the average household consumer who needs to stop by a grocery store once or twice a week for basic household needs or to round out the pantry and purchase ingredients for intimate family dinners. In addition, spread over just the more traditional market area food stores, the estimated level of impact is equivalent to less than \$1.4 million in sales impact per store, which is likely not a sufficient sales volume loss to trigger store closure. Many stores can likely compensate for this loss through product repositioning and other operational changes. Further, some of these impacts will be offset over time as additional new demand is generated, averaging about \$3.0 million a year after 2018.



If a store closes there are other demand opportunities available to backfill the space, thus reducing the likelihood of long-term retail vacancy. For some Project sales categories new market area demand will exceed the portion of Phase I Project sales estimated to be generated by market area households, thus no impact will result and demand available for other retailers will result. Thus, while there could be the potential for store closure, the likelihood of the space remaining vacant following Phase I development for a prolonged period of time and leading to urban decay is very low.

By the time of Full Buildout of the Project, estimated to comprise 2028, more than sufficient new market area demand will be generated to absorb the Project's anticipated sales generated by market area retail consumers. There is one minor exception to this, which is the Clothing & Clothing Accessories category, with a nominal sales impact. The estimated level of impact in this category is so limited it comprises 0.0% of the market area sales base. Moreover, the findings suggest that over \$100 million in additional demand for retail will remain at Full Buildout, providing support for yet other retail venues as well as any retail space that might become vacated as a result of Project impacts. Such potential vacancies, however, are not deemed likely given the negligible sales impacts projected by Full Buildout.

### **Downtown Pleasanton Impacts**

Downtown Pleasanton is anticipated to experience very limited, if any, sales impacts associated with the Project. This assessment is attributable to several factors, including the nature of the impacts, Downtown Pleasanton's retail base and orientation, and historical precedents. Specifically, the Project's impacts in sales categories represented Downtown are very low and unlikely to be experienced by Downtown retailers. This is especially the case because the nature of these and other goods sold in Downtown Pleasanton is generally very different from the type of goods available at a club retail store like Costco or other generic retailers that might occupy the Project's general retail space. Further, while there may be some club retail goods overlap, the quality of goods available Downtown is typically much greater and of a broader variety than available at a club retailer. In addition, Downtown Pleasanton retailers provide services not available at a club retailer. Downtown Pleasanton also provides a unique, pedestrian-oriented shopping opportunity with a customer-friendly atmosphere, which cannot be replicated at the Project. Further, shoppers who want the type of goods available at a club retail store already have regional opportunities for this kind of shopping. Thus, there is no motivation for Downtown shoppers to change their shopping patterns.

Downtown Pleasanton is quite distant from the Project site, at 4.3 miles. Shoppers who choose to shop in Downtown Pleasanton are unlikely to bundle a Downtown shopping with a Project shopping trip, further helping Downtown Pleasanton retain its existing shoppers. Finally, anecdotal information suggests that the opening of the San Francisco Premiums Outlets in Livermore, located even closer to Downtown Pleasanton than the Project site (3.9 miles versus 4.3 miles), did not result in negative economic impacts on Downtown Pleasanton retailers. This is supported by comparative sales analysis in Pleasanton spanning 2011, the year before the Outlets opened, and 2013, the year following the Outlets opening. This suggests that City of Pleasanton as a whole did not experience any retail sales repercussions associated with this significant retail addition to the region's retail base. This also supports the finding that the Project's impacts on the existing retail base may be limited, given the greater size of the San Francisco Premium Outlets relative to the Project.

## **Costco Case Study Findings**

Case study research in select California communities with Costco stores provides some insight into the potential for more granular store impacts than results from the study's quantitative analysis. This includes research in Livermore, where the Costco store opened in 1993 but where gasoline sales were added within the past 5 years, plus Hayward and Huntington Beach, which have some sales base comparability to Pleasanton and newer Costco stores opened in 2009 and 2012, respectively. The case study findings indicate that none of the cities noted negative impacts on the existing business community associated with Costco, including the small business community, downtown, gas stations, or food stores. In the case of Huntington Beach, the Costco store was instead seen as a catalyst for small business development and area economic development, with spin-off benefits noted for other, previously struggling retail districts.

These case study findings indicate that other communities of a similar scale to Pleasanton did not experience negative impacts on their retail community when local Costco stores were developed. This includes no reported small business community impacts or impacts on gasoline stations. Therefore, these findings suggest the study conclusion that the Project's Phase I development could result in food store sales impacts is a conservative conclusion, not borne out by the experience in comparable cities.

## **Secondary Impacts**

In addition to sales impacts throughout the Project's market area, there will be potential for more localized secondary impacts on the businesses located in the area proposed for the Johnson Drive EDZ. These include a higher volume of traffic through the area impacting employees and customers as well as existing businesses encountering a more competitive environment when seeking land or building acquisition for expansion purposes. Yet there are also potential beneficial impacts including traffic-related benefits associated with enhanced visibility of existing businesses, the proximate availability of low cost club retail merchandise and gasoline, other shopping and eating opportunities close to work, and possible long-term property value increases associated with economic development improvements throughout the area. Thus, as noted in the Huntington Beach Costco case study, Project development could serve as a catalyst for economic development, bringing shoppers to an area that was previously underutilized, and creating synergistic opportunities for business growth.

## **Cumulative Project Sales Impacts**

ALH Economics identified 12 potential cumulative retail development projects in or near the market area. Cumulative projects are defined as retail developments that have the potential to generate net new retail sales that may be competitive with the Project, especially sales generated by market area consumers. Of these 12 projects, eight are anticipated to be completed by the end of 2018, concurrent with the Project's Phase I. The remaining four projects have unknown timing because they are either in very early planning stages or are phased projects that do not have estimated starting dates for the outstanding retail portion. These projects are assumed to be completed by the Project's Full Buildout timeframe.

The cumulative projects will have their own unique market areas, so only a portion of the cumulative project retail space will be competitive with the Project or relate to the market area sales

base. This share of space is estimated to total 173,321 square feet by 2018. There are 293,721 total square feet of estimated occupied development with unknown timing; however, a portion of this square footage may be developed between those years. This brings the total competitive square footage estimate to 467,042 square feet for the market area and surrounding areas, exclusive of the Project. Notably, these figures include one retail project in Dublin that City of Dublin representatives suggest may convert to an all residential project.

Cumulative project analysis taking into consideration the portion of Project and cumulative project retail space anticipated to capture sales from the Project's market area, future market area demand for retail, and timing of development indicates that by the completion of Phase I, suggest there will be a projected shortfall of 111,200 square feet of market area demand to support the cumulative projects. This is a nominal amount of shortfall based upon the current size of the combined retail base in Pleasanton and Dublin, which comprises 9.2 million square feet. If this 11,200-square-foot increment of retail space became vacant as a result of the cumulative projects (possibly including the estimated Phase I Project grocery store impacts), the current retail base vacancy rate would increase by 1.2%. This retail vacancy increment is very low, and would comprise an insignificant impact on the market area's retail base.

By the time Project Full Buildout occurs, there will continue to be insufficient new market area demand to absorb all the cumulative projects with known development timeframes. Similar to the Phase I timing analysis, however, this insufficient demand is estimated to be relatively low. Inclusive of the cumulative project anticipated to be unlikely to be developed as retail, this demand shortfall comprises an estimated 267,650 square feet. Excluding the unlikely development project reduces this figure to 154,800 square feet. Thus, the market area retail base vacancy rate is estimated to increase by 1.7% to 2.9% by Full Buildout pursuant to the cumulative retail development.

The degree to which these percentage increases will be significant to the market will depend upon the prevailing market conditions at the time of Full Buildout. While these conditions cannot be predicted, current conditions suggest that the projected increases in vacancy attributable to the cumulative projects at Full Buildout will not be detrimental to the commercial retail market, and that the market would continue to operate within healthy parameters. Therefore, ALH Economics concludes that the cumulative projects, inclusive of the Johnson Drive EDZ Project, are unlikely to result in negative sales impacts contributing to the potential for prolonged economic impacts and that urban decay is not likely to occur in the market area.

### **Hotel Impact Analysis**

The Project has the potential for a 150- to 231-room hotel. There are a minimum of 15 existing hotels in Pleasanton and Dublin with a total of 2,297 rooms. These hotels represent five classes of hotel, including economy, midscale, upper midscale, upscale, and upper upscale. All of the existing hotels appear to be in good general repair, with attractive physical conditions and no signs of urban decay or deterioration, such as litter, graffiti, weeds or rubbish. Average annual occupancy rates of the hotels vary with economic conditions, with occupancy ranging from a low of 56% in 2009 at the peak of the Great Recession to 81% in 2015.

ALH Economics projected future demand for hotel rooms and assessed the Project's impact on future occupancy to identify if there could be negative impacts on occupancy sufficient to cause existing hotels to close. Demand was projected out at the combined projected employment rate for

Pleasanton and Dublin. This analysis effectively accommodates hotel rooms demand associated with expansion of the city's economic base. The results indicate that in 2018, when the Project's hotel is assumed to be added to supply for the full year, occupancy is projected to range from 79% to 81%. On the low end this rate is above the industry standard hotel occupancy rate of 75% and at the high end the rate is generally equivalent to the current baseline rates. Thus, the addition of the Project hotel is not anticipated to result in negative impacts on the existing hotel base contributing to potential hotel closure.

In addition to the Project, there are two cumulative hotels planned. This includes the 122-room Aloft Hotel at Grafton Plaza in Dublin, anticipated to be added to supply in 2017, a year before the Project, and the 75-room Project Clover hotel in Dublin, anticipated to be added to supply in 2018, the same year as the Project hotel. The near-term results after the addition of the new Grafton Plaza hotel in 2017 indicate that hotel occupancy is projected to remain stable at 81%, the rate noted in 2015. When the Project Clover and Johnson Drive EDZ Project hotels are further added to supply in 2018 the occupancy rate is projected to decrease, down to 73% to 75%, and recover thereafter. These projected rates are close to or above industry standard levels, and exceed levels achieved by the market as recently as 2011 and 2012. Thus, market performance is anticipated to remain close to or above industry standard levels reflective of a healthy hotel market. Therefore, the study concludes that the Project and cumulative projects may result in reduced occupancy among existing hotels, but that the existing hotels are not anticipated to be impacted to the point that hotel closure is a potential risk.

## **CEQA URBAN DECAY DETERMINATION**

### **Definition of Urban Decay**

For the purpose of this analysis, urban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long term vacancies. This physical deterioration<sup>1</sup> to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. For this study, urban decay is only considered a risk factor if the economic impact analysis suggests the potential for prolonged market area vacancies to occur resulting from Project- and cumulative project-related sales impacts.

### **Retail Market Characteristics**

Historically, Pleasanton has maintained a healthy retail market sector, while Dublin has experienced more fluctuations. As of 4<sup>th</sup> quarter 2015 Pleasanton had an overall retail vacancy rate of 2.3%. This rate comprises a relative low in recent years, since hitting a peak of 6.0% in 4<sup>th</sup> quarter 2012. Prior to that time period the Pleasanton vacancy rate was as low as 1.4% in 1<sup>st</sup> quarter 2007, which is an exceedingly low vacancy rate. All of these rates, however, indicate an

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<sup>1</sup> The manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, graffiti and other building defacement, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, homeless encampments, and unsightly and dilapidated fencing.

extremely healthy and very stable retail base throughout the city. The retail market in Dublin is not as strong as in Pleasanton, but is still operating within healthy parameters. Dublin retail vacancy peaked at 14.7% in the 3<sup>rd</sup> quarter of 2009, but dropped by 2011 to below 10.0%. Since then, vacancy was lowest in 1<sup>st</sup> quarter 2015, at 3.9%, which is an extremely low vacancy rate. The vacancy rate as of 4<sup>th</sup> quarter 2015 was slightly higher at 5.9%, but still relatively low by commercial market standards. These favorable retail vacancy rates in Pleasanton and Dublin bode well for the market area with respect to any potential increases in vacancy attributable to potential Project impacts resulting in store closures.

Retail vacancies in Pleasanton and Dublin are finding new tenants. At least 35 retail leases were executed in Pleasanton over the one-year time frame from approximately mid-January 2015 to mid-January 2016, totaling approximately 72,000 square feet. Comparable figures in Dublin over the same time frame were 44 leases totaling over 140,000 square feet. These lease transactions ranged in size, up to 19,500 square feet. Over a longer period of time the Pleasanton market alone has demonstrated the ability to backfill even larger spaces, including spaces vacated by grocery stores.<sup>2</sup> Field observation indicates that properties that are not immediately backfilled and remain vacant are in generally good condition and do not exhibit signs of urban decay. These factors suggest that retail vacancies that might occur in the Project's market area as a result of Project or cumulative project economic impacts will be well-maintained during any period of vacancy and will not contribute to conditions of urban decay or deterioration.

### **Urban Decay Conclusion**

ALH Economics focused on determining whether or not physical deterioration in existing retail centers and area hotels would likely result from the opening of the Project and other cumulative retail or hotel developments in reaching a conclusion about economic impacts contributing to or leading to urban decay. The conclusion is based on consideration of current market conditions, findings regarding diverted sales, and regulatory controls. Highlights of these findings are as follows:

**Current Market Conditions:** The fieldwork and market research indicated that retail market conditions are moderate to very strong in the market area's core commercial areas, with low to moderate retail vacancy rates. Retail leasing activity is strong and existing vacancies are well maintained.

**Sales and Vacancy Impacts:** The findings suggest the Project's Phase I development could potentially result in the closure of one grocery store and that at Full Buildout the cumulative project impacts (including the Project) could result in a modest increase in the market area's vacancy rate, as new market area demand will not be sufficient to support all the competitive retail space. While the grocery store closure is deemed unlikely, due to factors such as the anticipated distribution of impacts and the lack of variety and bulk orientation of goods available at club retail stores, even if the modest amount of vacancy occurs, the resulting vacancy rate increment will be nominal, with the resulting vacancy rate well within the range indicative of a healthy retail market. Moreover, the market's demonstrated retail absorption, including backfilling of larger retail spaces, coupled with the strong to

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<sup>2</sup> Backfilling refers to re-tenanting of vacant retail spaces.

moderately strong market conditions, suggest that vacancies that might occur as a result of the cumulative project impacts would likely be backfilled within a reasonable time and not be characterized by prolonged vacancy.

Even if some sites experience prolonged vacancy because they might be of a size that experiences less demand or they are located in shopping centers with poor visibility or other undesirable characteristics, the prevailing conditions in the market area suggest that these vacancies would be well-maintained and would not devolve into urban decay or deterioration. Moreover, it should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses, such as the Fresh & Easy example in Exhibit 46. While not all tenants would have the wherewithal to continue these payments, national or regional retailers are more likely to have this capability. This is an important consideration because landlords would continue to receive income on these vacated spaces through committed lease payments, which means they would have available financial resources to continue to maintain their properties.

**Regulatory Controls:** During Project-related fieldwork conducted in February 2016, ALH Economics found there were little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in the Project's market area. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in Pleasanton and Dublin are generally effective and would serve to help preclude the potential for urban decay and deterioration in the event any existing retailers in the market area close following the operations of the Project and other cumulative retail projects.

Based upon these findings, ALH Economics concludes that the Johnson Drive EDZ Project and the identified cumulative projects would not cause or contribute to urban decay.

### **Fiscal Impact Analysis**

A fiscal impact analysis of the Project was prepared based upon the methodology and assumptions included in a fiscal impact study prepared for the entirety of the Johnson Drive EDZ in February 2015.<sup>3</sup> This study used the City of Pleasanton's Fiscal Year 2014/15 Operating Budget as a key resource. ALH Economics updated some of the factors included in this fiscal impact study pursuant to the more recent Fiscal Year 2015/16 budget as well as operating characteristics specific to the Project included in this analysis, such as taxable sales performance and forecasted sales diversions.

The fiscal impact analysis results indicate that on a worst case basis, assuming that all diverted sales are diverted from Pleasanton retailers (as opposed to retailers outside of Pleasanton), the Project is anticipated to generate a projected \$1.4 to \$1.7 million annual contribution to the City of Pleasanton's General Fund at the completion of Phase I. This net revenue estimate increases to \$2.1 to \$2.3 million annually upon Full Buildout. At Full Buildout these net fiscal revenues represent an annual contribution equivalent to approximately 2.1% to 2.3% of the City's General

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<sup>3</sup> "Draft Summary – Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton," February 5, 2015, Brion & Associates.

Fund expenditures. This analysis does not include any potential City of Pleasanton share of Project-related transportation costs, which will be ultimately determined by the Pleasanton City Council. The expenditure of any such costs will result in a reduction in the Project's estimated annual net fiscal revenues.

The fiscal impact analysis for the entire Johnson Drive EDZ included a lower per square foot sales estimate for the Project's club retail space than projected in this study. This figure was \$700 per square foot vs. the \$1,152 per square foot figure included in the economic impact analysis. Net fiscal impacts results reflecting this lower per square foot club retail sales performance estimate include a range of \$1.1 to \$1.4 million at the completion of Phase I and \$1.9 to \$2.2 million annually upon Full Buildout. Thus, the net fiscal impact results would be equal to approximately 79% to 86% the amount projected with the higher club retail sales performance estimate.

## II. INTRODUCTION

### STUDY BACKGROUND

The City of Pleasanton proposes to implement a pilot Economic Development Zone (“EDZ”, or “Project”) within a 40-acre area along Johnson Drive currently developed with office, commercial, institutional, and industrial uses. The EDZ would allow the City of Pleasanton to use zoning and land use designations, incentive programs, completed CEQA documentation, and standards and guidelines to streamline the development process and encourage new investment. ALH Urban & Regional Economics was engaged to examine the net increment of the Project development in addition to “Existing Development”, which includes general retail among other uses, such as commercial service, office, industrial, and institutional/religious space, some of which will be phased out gradually from the area over the period of Full Buildout. This net increment includes “Phase I” development, which includes the development of club retail, general retail, and hotel uses, and “Full Buildout” development, which includes Phase I as well as additional general retail.

The Project site is in a commercial area with other nearby commercial establishments, industrial uses, and a hotel (see Exhibit 1 for site location). At Full Buildout the proposed EDZ will include a total of 227,940 square feet of general retail, a 148,000-square-foot club retail store, and either an 88,000-square-foot hotel with 150 rooms (Option 1) or 132,000 square feet of hotel space with 231 rooms (Option 2).<sup>4</sup> At Full Buildout this equates to a cumulative net new 189,037 square feet of general retail, 148,000 square feet of club retail, and either 150 or 231 hotel rooms. The Project’s Draft Supplemental Impact Report (Draft SEIR) reflects analysis of a 150-room hotel. However, this study also conservatively analyzes a larger hotel option with 132,000 square feet.

The City of Pleasanton circulated the Draft SEIR for the Project, which tiers from EIRs prepared previously by the City for its General Plan update and Housing Element and Climate Action Plan. Several comments submitted by public stakeholders as well as City of Pleasanton Planning Commission members have requested that the Final SEIR include the results of an analysis of potential economic impacts that would be caused by the Project. In addition, the City requested that a fiscal impact analysis of the Project be completed, consistent to the extent possible with a February 2015 fiscal impact study prepared for the Johnson Drive EDZ in its entirety, which included analysis of several potential development scenarios.

To support this effort and comply with the California Environmental Quality Act (“CEQA”), ALH Urban & Regional Economics (“ALH Economics”) was asked to prepare an analysis of the economic effects of the project, including the potential for the Project to cause or contribute to urban decay and to assess the Project’s fiscal impact on the City of Pleasanton’s General Fund. The decision by the Fifth District Court of Appeal in *Bakersfield Citizens for Local Control v. The City of Bakersfield* indicated that CEQA requires a lead agency to consider and analyze the potential for the introduction of planned retailers to result in adverse physical impacts on the environment by causing a chain reaction of store closures and long-term vacancies, otherwise referred to as a condition of “urban decay.” This analysis is not required for all projects subject to CEQA, but only projects where there is the perceived potential for urban decay or deterioration to result. In

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<sup>4</sup> Option 2 could include more than one hotel. For the sake of simplifying the presentation and analysis, the balance of the report and analysis refers to this as one hotel option with 231 rooms.



addition, a fiscal impact analysis is not a required component of CEQA. The comment period for the Draft SEIR ended November on 23, 2015.

This study addresses the Bakersfield decision by considering the potential impact of the Project in conjunction with the introduction of other relevant cumulative retail and hotel developments. The key indicator from a CEQA perspective is impacts on the existing physical environment, which in the context of an urban decay analysis includes existing stores and commercial real estate conditions, as measured by the current baseline. The Notice of Preparation (NOP) for the EIR was released in August 2014 and the Draft SEIR was released in September 2015. The market conditions were most recently assessed in February 2016, comprising the study baseline. Other data included in the report were the most recently available at the time of study initiation. For study purposes, Phase I of the Project is anticipated to be completed and fully operational in 2018 and Full Buildout is anticipated to occur by 2028.

## **STUDY TASKS**

ALH Economics engaged in numerous tasks to complete this assignment assessing the prospective economic and fiscal impacts of the Project. These tasks included the following:

- Identified the Project's market area, i.e., the area from which the majority of the Project's consumers are anticipated to originate;
- Developed a definition of the Project, including net incremental square footage estimates by type of space and by Phase;
- Estimated the Project's net retail sales;
- Conducted fieldwork to review the Project's site and evaluate existing market conditions;
- Conducted retail sales leakage analyses for the cities of Pleasanton and Dublin;
- Estimated demand generated by households added to the market area by the time the Project achieves stabilized sales;
- Estimated the Project's economic impacts on existing retailers;
- Identified planned market area retail projects;
- Assessed the cumulative impacts of planned retail projects;
- Assessed the Project's economic impact on the existing hotel market;
- Assessed the extent to which operations of the Project and the cumulative projects may or may not contribute to economic impacts contributing to or leading to urban decay; and
- Estimated the annual net fiscal impact of the Project at the completion of Phase I and full buildout.

The findings pertaining to these tasks are reviewed and summarized in this report, with analytical findings presented in the exhibits in Appendices A and B.

## **STUDY RESOURCES AND REPORT ORGANIZATION**

### **Study Resources**

The economic impact analysis relied upon a number of key resources. These resources are all identified in the sources and notes to the exhibits developed to support the analysis. These resources include the following:

- ***Governmental resources.*** These sources include representatives from the City of Pleasanton Planning, Economic Development, and Code Enforcement; City of Pleasanton Operating Budget Fiscal Year 2015/16 – FY 2016/16; City of Dublin Planning Department; City of Hayward Community Development Department; City of Huntington Beach Economics Development Department; City of Livermore Economic Development Department; the United States Bureau of Labor Statistics, Consumer Price Index; the U.S. Census, U.S. Economic Census; State of California Board of Equalization; Association of Bay Area Governments (ABAG), "Population & Household Projections 2013"; City of Pleasanton Municipal Code; City of Dublin Municipal Code; and U.S. Bureau of Labor Statistics, Consumer Expenditures Survey.
- ***Third party resources.*** These sources include Environmental Science Associates; Costco Wholesale Corporation 10-K form and Annual Report for the fiscal year ending August 30, 2015; Walmart Inc. 10-K Form for the fiscal year ending January 31, 2015; Streetlightdata.com; Hinderliter de Llamas (HdL); CB Richard Ellis; CoStar; Nielsen, a national resource for demographic estimates and projections; Retail Maxim, a retail industry performance resource; Tax Policy Center; californiagasprices.com; Smith Travel Research; GoogleMaps; ESRI ArcMap; US Census Tigerline Shapefiles; Yelp; and Brion & Associates. In addition, ALH Economics was asked to reach out to two parties interested in the environmental review process for the Johnson Drive EDZ. These included Carrie Fox of Cox Family Stores, a local chain of gas stations, and Bill Wheeler, Manager of Black Tie Transportation, a transportation provider located in the Johnson Drive EDZ. Both parties declined the opportunity to discuss their concerns with ALH Economics.

All of these resources are identified as warranted in the text and/or the series of exhibits found in Appendices A and B that document the study analysis.

## **Report Organization**

This report includes 10 chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Project Retail Sales Estimation
- IV. Market Area Definition, Share of Project Sales, and Retail Characterization
- V. Market Area Demographics and Retail Spending Potential
- VI. Project Sales Impact Analysis
- VII. Cumulative Project Impacts
- VIII. Hotel Impact Analysis
- IX. CEQA Urban Decay Determination
- X. Fiscal Impact Analysis

This report is subject to the appended Assumptions and General Limiting Conditions.

### III. PROJECT RETAIL SALES ESTIMATION

A description of the planned EDZ Project and ALH Economics' estimates of the retail sales generated by the Project are presented below. This includes sales generated by retail category. This estimate is necessary to facilitate analysis of the Project's economic, urban decay, and fiscal impacts.

#### PROJECT DESCRIPTION

This analysis evaluates the proposed incremental retail and hotel development of the EDZ Project. The focus in this chapter includes the anticipated retail sales generated by the Project. The Project components include new general retail and club retail development in addition to a small amount of existing retail development. The full development program is presented in Exhibit 2, and summarized below in Table 2.

In summary, the development program includes 375,940 square feet of retail space upon full buildout. Of this, 38,903 square feet currently exist. Thus, the net square footage includes 5,000 square feet of general retail space and the 148,000-square-foot club retail space in Phase I. The incremental amount of retail space anticipated to be further developed by buildout, which is anticipated by 2028, is another 184,037 square feet of general retail space.

**Table 2. Summary Project Square Feet and Hotel Rooms**

Development	Development Characteristics			Incremental Development		
	Existing	Phase I	Full Buildout	Phase I	Full Buildout	Total
Retail						
General Retail	38,903	43,903	227,940	5,000	184,037	189,037
Club Retail	0	148,000	148,000	148,000	0	148,000
	<b>38,903</b>	<b>191,903</b>	<b>375,940</b>	<b>153,000</b>	<b>184,037</b>	<b>337,037</b>
Hotel Option 1	0	150 rooms	150 rooms	150 rooms	0	150 rooms
Hotel Option 2	0	231 rooms	231 rooms	231 rooms	0	231 rooms

Source: Exhibit 2.

Thus, as noted in Table 2, the total amount of net new retail space upon buildout will include 189,037 square feet of general retail space and 148,000 square feet of club retail space, totaling 337,037 square feet of net additional retail space. Hereafter, all reference to retail space planned for the Project includes this net increment of retail space.

#### PROJECTED SALES

##### Retail Categories

There will be several retail sales components associated with the Project. These include general retail space and club retail space. Given anticipated Project phasing, the first new Project sales are anticipated to occur in 2018, with the balance of sales anticipated to occur by 2028. The sales for the general retail and club retail space will differ dramatically, given the difference in

market orientation, with club retailers typically oriented toward bulk sales and/or discounted pricing with a no frills shopping setting.

ALH Economics engaged in an estimation procedure for both types of retail space to develop assumptions regarding space allocation by type of retail good and then sales by type of retail good. The approaches were different for the different types of retail space but the goal for both was to develop sales estimates for the retail categories consistent with the retail categories defined by the State of California Board of Equalization (BOE), which publishes taxable retail sales figures for cities and counties. To maximize the use of these data, the analysis is benchmarked to the BOE retail categories and the related sales figures reported in its *Taxable Sales in California* publication (with some adjustments, as noted in the Retail Sales Base Characterization chapter.) These categories, as typically reported for cities, are listed below, including examples of representative retail goods by category.<sup>5</sup>

- Motor Vehicles & Parts (new and used auto sales, auto parts and tires);
- Home Furnishings & Appliances (furniture, electronics, home appliances, linens, bed and bath supplies);
- Building Materials & Garden Equipment (hardware stores, home improvement stores, nurseries);
- Food & Beverage Stores (grocery stores, convenience stores, liquor stores);
- Gasoline Sales (gas stations);
- Clothing & Clothing Accessories Stores (apparel, boutiques, shoes, western wear, purses);
- General Merchandise Stores (department stores and dollar stores);
- Food Services & Drinking Places (restaurants and bars); and
- Other Retail Stores (a wide range of retailers, such as pet supplies, office supplies, drug store sales, sporting goods, jewelry, florists, and gifts).

Notably, these retail sales categories do not include some services that typically occupy commercial retail space, including personal and business services such as hair and nail salons, postal services, and banks and insurance companies.

The BOE records a retailer's sales in only one sales category. For example, the actual sales for a club retailer are reported by the BOE under the General Merchandise classification. For purposes of this study, however, the impact of the Project's club retail space is more appropriately analyzed across several retail categories since the new retail space will likely compete with a range of retailers, not just general merchandise retailers.

The approach to estimating the share of Project sales by category and associated sales follows.

### **Club Retail Space by Retail Category and Total Sales**

The operator for the Project's club retail space has not been identified. The universe of club retailers is relatively limited, primarily including Costco and Sam's Club. Consequently, ALH Economics researched performance data for both retailers to develop estimates of the Project's club retail sales by retail category. This included obtaining information about typical store sales by the categories defined by each retailer, allocating and translating these sales into BOE

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<sup>5</sup> The category list is based on the 2013 *Taxable Sales in California* report (Table 5), which was the most recent full year of reported data provided by the BOE at the time of this study.

categories, developing a study assumption regarding sales distribution by BOE category, developing a store sales per square foot estimate, and allocating the resulting store sales estimate across the retail categories.

The process of store sales space allocation is documented in Exhibits 3 through 5. Exhibit 3 includes analysis regarding the percentage distribution of sales by BOE retail category. This is based upon information included in investor documents on file with the United States Securities and Exchange Commission and assumptions developed by ALH Economics based upon site visits and knowledge of Costco stores. Exhibit 4 includes comparable estimates for Sam's Club, based upon similar sources. Exhibit 5 then averages the resulting percentage distributions for the two club retailers to develop a study assumption regarding the distribution of club retail sales. ALH Economics then translated these percentage distributions into estimated space allocations for the Project's club retailer, also shown in Exhibit 5. The result indicates that the largest allocation of space is anticipated to comprise Food & Beverage sales space, with 51.5% of the total store space. The next largest category is the Other Retail category, at 11.9%. All other categories are assumed to comprise sales shares less than 10.0%.

To estimate the Project's club retail sales ALH Economics examined sales performance at the same two club retailers – Costco and Sam's Club. The sales performance analysis for Costco is presented in Exhibit 6 while the sales performance analysis for Sam's Club is presented in Exhibit 7. The results indicate estimated 2015 sales per square foot performance of \$1,152 per square foot for Costco and \$671 for Sam's Club. At these sales rates, the club retail total sales would be \$170.4 million using the Costco sales performance and distribution information and \$99.3 million using the Sam's Club sales performance and distribution information (see Exhibits 6 and 7, respectively).

The sales assumption for the club retail space is an important assumption for the economic impact analysis. This assumption determines the total sales estimate, which in turn impacts the degree to which the club retail component could, in combination with the general retail space, result in prospective sales impacts on existing retailers. The larger the club retail sales figure the greater the potential for sales impacts. The opposite is of course true, which is that the lower the club retail sales figure the less potential for sales impacts.

For analytical purposes ALH Economics assumes the Project's club retail space will perform at the sales level comparable to Costco. The implications of this assumption are discussed below, in the **Total Project Sales** section.

### **General Retail Space by Retail Category**

There are no specific retailers currently identified to comprise the Project's general retail component. ALH Economics therefore prepared generic assumptions to shape the analysis. The most significant assumption is the allocation of the Project's general merchandise space by type of retail category (see Exhibit 8). This assumption is equal allocations of space by retail category with several exceptions. One exception is an allocation of no retail space to the Food & Beverage store and Gasoline sales categories. This is attributable to the expectation that the club retail space will include both these sales categories, such that demand by other food and gasoline retailers would be limited in the balance of the Project. The other exception is that the Other Retail category was ascribed a double weight of space, i.e., twice as much space as any of the other categories. This is attributable to the wide range of retailers represented by the Other Retail category, such as office supply stores, pet supply stores, book stores, and gift

shops. The result is building blocks of 12.5% or 25% of the total Project space, reflecting the incorporation of seven retail categories and double-weighting of the Other Retail category.

The resulting allocations of general retail space by type of retail were adjusted for a stabilized vacancy rate. This is due to the expectation that retail sales will be generated by occupied retail space and not vacant retail space. Because retail vacancy tends to be low in Pleasanton, the stabilized vacancy rate included in this analysis is 5%. Thus, the general retail space sales estimate is based on an occupied square footage of 4,750 square feet for Phase I, an incremental 174,835 square feet by Project buildout, and a total of 179,585 square feet for the entire Project.

## Project Sales

The Project's estimated retail sales are presented in Exhibit 9. This includes estimates for the general retail space and the club retail space. For the general retail space sales per square foot estimates were developed based upon national averages associated with the assumed retail categories. These sales figures are based upon analysis of trend data presented by Retail Maxim, a retail industry performance resource. Retail Maxim, prepares an annual publication that culls reports for numerous retailers and publishes their annual retail sales on a per square foot basis. This type of information for a range of retailers or type of retailers is presented in Exhibit B-1 annually from 2010 through 2013. The figures are then averaged and presented in inflated 2015 dollars as a generalized estimate of sales per square foot for key retail categories. The resulting sales per square foot range from a low of \$297 per square foot for General Merchandise stores to a high of \$643 per square foot for Food and Beverage Stores (e.g., grocery stores). The total club retail store sales estimate is also presented in Exhibit 9. This sales figure is based upon the \$1,152 per square foot store sales estimate pursuant to analysis of national average Costco performance. As noted earlier, application of this high sales rate is the most conservative approach to estimating club retail store sales given that the higher the store sales figure the greater the potential for store impacts.

The results of the Project's total sales estimates are presented in Exhibit 9 and summarized below in Table 3. This indicates that total Project sales will comprise \$172.6 million in Phase I, an additional \$69.0 million for the subsequent increment of space to buildout, with a grand total of \$241.3 million. The allocation of total sales is approximately 30% generated by the general retail space and 70% generated by the club retail space.

**Table 3. Summary of Total Project Sales**

<b>Retail Category</b>	<b>Phase I</b>	<b>Increment to Buildout</b>	<b>Total</b>
General Retail	\$1,873,558	\$68,960,801	\$70,834,359
Club Retail	\$170,441,418	\$0	\$170,441,418
<b>Total</b>	<b>\$172,314,976</b>	<b>\$68,960,801</b>	<b>\$241,275,777</b>

Source: Exhibit 9.

While these sales estimates pertain to the total project sales, not all the estimated club retail store sales will be competitive with existing retail operations. This is because club retail membership at stores such as Costco includes business and household members. Some business members include businesses that purchase items wholesale from a club retailer, and then resell the items as part of their business operations. Businesses with resale licenses do not

pay sales tax on the purchased items. Thus, sales made under these circumstances are not considered taxable retail sales. As such, these sales are not competitive with the existing retail base, the size of which is estimated based upon taxable retail sales reported by the State of California Board of Equalization (see Chapter VI).

Using Costco as a study resource, nationally 24% of paid Costco memberships in 2015 were Business or Business add-on memberships.<sup>6</sup> However, Costco provides paid memberships with one free household card. Thus, business and business add-on cards comprised 13% of all cardholders.<sup>7</sup> Costco materials indicate that many business members also shop at Costco for their personal needs, but these materials do not indicate the share of total business member purchases that are personal.

To minimize risk of overstatement, ALH Economics assumes that based on the preceding information, 13% of Costco members are business members. Not all business purchases will entail the resale of merchandise, as many businesses purchase goods from club retailers for other purposes, such as cleaning supplies, snacks, office supplies, etc. However, ALH Economics further assumes that business members making tax exempt purchases (and other purchases for resale, including food sales that are tax exempt for all consumers) spend twice as much as other business cardholders do to their purchase of inventory/merchandise for later resale. Therefore, using the Costco data as a source, the analysis assumes that 13% of the Project's club retail sales will be to wholesale customers, i.e., customers whose typical purchases are not reported as retail purchases, and 87% will be to household and business customers that qualify to pay sales tax on taxable items. The exception is gasoline sales, all of which are allocated to retail consumers as all of these sales are assumed to be taxed and not subject to resale.

Based upon the assumption split between retail consumers and wholesale consumers, the portion of Project club sales attributable to retail consumers is presented in Exhibit 10. These sales figures are summarized below in Table 4, and include \$152.3 million for Phase I, an additional \$69.0 million increment to buildout, and an overall total of \$230.4 million.

**Table 4. Summary of Project Sales Generated by Retail Consumers**

<b>Retail Category</b>	<b>Phase I</b>	<b>Increment to Buildout</b>	<b>Total</b>
General Retail	\$1,873,558	\$68,960,801	70,834,359
Club Retail	\$150,167,946	\$0	150,167,946
<b>Total</b>	<b>\$152,041,504</b>	<b>\$68,960,801</b>	<b>\$221,002,305</b>

Source: Exhibit 10.

The distribution of these sales by retail category is presented in Exhibit 9 for general retail and Exhibit 10 for club retail. These figures are consolidated in Table 5 below for both retail components.

<sup>6</sup> See "Annual Report 2015, Costco Wholesale, Fiscal Year Ended August 30 2015," pages 8 and 9/  
<sup>7</sup> Ibid.

**Table 5. Project Sales Made to Retail Consumers by Retail Category**

<b>Retail Category</b>	<b>Phase 1</b>	<b>Increment to Buildout</b>	<b>Total</b>	<b>Percent of Total</b>
Motor Vehicles and Parts Dealers	\$7,485,062	\$0	\$7,485,062	3%
Home Furnishings and Appliance Stores	\$10,715,038	\$7,048,093	\$17,763,130	8%
Building Materials and Garden Equip.	\$6,477,329	\$6,552,455	\$13,029,784	6%
Food and Beverage Stores	\$76,369,862	\$0	\$76,369,862	35%
Gasoline Stations	\$14,947,712	\$0	\$14,947,712	7%
Clothing and Clothing Accessories Stores	\$5,274,272	\$16,826,611	\$22,100,883	10%
General Merchandise Stores	\$11,700,451	\$6,493,576	\$18,194,028	8%
Food Services and Drinking Places	\$953,937	\$13,289,717	\$14,243,654	6%
Other Retail Group	\$18,117,840	\$18,750,349	\$36,868,189	17%
<b>Total</b>	<b>\$152,041,504</b>	<b>\$68,960,801</b>	<b>\$221,002,305</b>	<b>100%</b>

Source: Exhibit 9.

Table 5 includes a summary of the estimated percent distribution of Project sales generated by retail consumers by retail category. This indicates that upon full completion of the Project, Food & Beverage Store sales are anticipated to comprise the largest share of sales, at 35%. This is due to the expectation that more than 50% of club retail store sales typically comprise food and beverage sales. The next largest category is the Other Retail category at 17%, which as described earlier includes a wide range of retail goods, such as office supplies, pet supplies, books, gifts, and jewelry. This is followed by Clothing & Clothing Accessories at 10%. All other retail categories range from an estimated 3% to 8% of the total retail sales anticipated to be generated by retail consumers.



## IV. MARKET AREA DEFINITION, SHARE OF PROJECT SALES, AND RETAIL CHARACTERIZATION

This report chapter discusses the approach to estimating the Project's market area, which is the area from which the majority of shoppers are anticipated to originate. This chapter describes the market area and characterizes the area's existing retail inventory

### PROJECT MARKET AREA DEFINITION

#### Approach to Defining Market Area

The Project's market area definition for consumer retail sales is based on the principle that most consumers will travel to the shopping destination most convenient to their homes given the type of goods available. A market area is the geographic area from which the majority of a retail shopping center's demand is anticipated to originate. Several tasks were completed to identify the Project's market area, foremost of which included mapping the location of the Project relative to other club retail and shopping centers, including existing or planned stores, and taking into consideration comparative travel time and the size and composition of the retail base in the market area.

#### Market Area Conceptual Description

In developing a market area, ALH Economics strives to identify the area from which the majority of demand for a shopping center will originate, typically at least 70%, based upon the following industry resources.

Materials published by major industry organizations indicate that a retail store's trade area generally supplies 70% to 90% of the store's sales, while the remaining 10% to 30% of sales are attributed to consumers residing outside of the store's market area. In its Shopping Center Development Handbook, Third Edition, the Urban Land Institute (ULI) states the following:

"A site generally has a primary and a secondary trade area, and it might have a tertiary area. The primary trade area should generally supply 70 to 80 percent of the sales generated by the site. These boundaries are set by geographical and psychological obstacles."<sup>8</sup>

ULI is a nonprofit research and education organization representing the entire spectrum of land use and real estate development disciplines. Among real estate, retail, and economic development professionals, this organization is considered a preeminent educational forum.

Information published by the International Council of Shopping Centers (ICSC), a trade association for the shopping center industry, also provides instructional information about market area definitions. In the recent publication Developing Successful Retail in Secondary & Rural Markets, the ICSC says:

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<sup>8</sup> Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.

“A trade area is the geographic market that you will be offering to potential retailers as a consumer market. ... Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated. Different stores can have different trade areas based on their individual drawing power and the competitive market context.”<sup>9</sup>

In summary, these industry resources suggest that a retail project’s trade area, or market area, typically is defined as the geographic area from which at least 70% of demand is anticipated to originate. However, depending upon the nature of the retail, the share of sales originating from the geographic area deemed most consistent with a market area can be less, as discussed below.

### **Market Area for Johnson Drive EDZ Project**

ALH Economics conducted research to develop an estimate of the retail consumer market area for the Project, i.e., the area from which the majority of shoppers will originate. This market area took into consideration the location of other retail nodes where consumers can shop, including nodes with other club retail stores, as club retail will be a large portion of the Johnson Drive EDZ Project. The locations of similar club retail stores such as Costco and Sam’s Club were taken into consideration (though there are no Sam’s Club locations in the area, with the closest one 25 miles north in the City of Concord). For market area definition purposes, ALH Economics assumes that households that live closer to any other club retail store will shop there and not shop at the club retail in the Johnson Drive EDZ. However, locations closer to the Johnson Drive EDZ are assumed to comprise areas included in the Johnson Drive EDZ’s market area.

To identify these closer areas ALH Economics selected several geographic locations and calculated their travel time and distance between Johnson Drive EDZ and the next nearest club retail store as well as noting both natural and man-made boundaries, area topography, and freeway access. This mapping was achieved using the Google Maps functionality. Thus, the general boundary of the Project’s market area was determined based upon this mapping analysis. ALH Economics then superimposed census tract boundaries over the general boundary to identify the census tracts that would best comprise the market area for the Project. An advantage of using census tracts is that the market area definition is easily defined, easily replicable, and key demographic estimates and projections can often be readily available in this format.

Estimated drive times from household locations within each census tract were analyzed to determine which club retail stores were closer. This resulted in the identification of 18 full census tracts and three partial census tracts spanning the City of Pleasanton, the majority of the City of Dublin, and some unincorporated Alameda County areas. The three partial census tracts were modified to better define the market area as they included areas that were not reasonable to be included in the Project’s market area. This is because they were either very large and included areas that are too far to be considered as part of the Project’s market area, including areas hindered by natural boundaries or that have little-to-no population. These three partial census tracts are Census Tract 4506.01, 4507.01, and 4507.45. For Census Tract 4506.01, which is large and includes portions of the City of Pleasanton, Sunol Census Designated Place (CDP),

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<sup>9</sup> Developing Successful Retail in Secondary & Rural Markets, International Council of Shopping Centers in cooperation with National Association of Counties, 2007, page 7.

and unincorporated Alameda County, ALH Economics modified the portion of this census tract for inclusion in the Project market area to follow along the geographical boundary for the City of Pleasanton down to where it meets Interstate 680. This adjustment removes areas of little-to-no population and areas that are bounded by natural boundaries such as Pleasanton Ridge Regional Park. For Census Tract 4507.01, a large census tract that also includes portions of the City of Pleasanton, Sunol CDP, and Unincorporated Alameda county, ALH Economics modified this census tract for the Project market area to follow along the northern portion of State Route 84 to where it meets Interstate 680 to remove areas too far to be deemed reasonable for the market area, as well as areas of little-to-no population. For Census Tract 4507.45, a medium-sized census tract, which includes portions of the City of Pleasanton and Unincorporated Alameda County, ALH Economics modified this census tract for the Project market area to follow along the eastern geographical boundary of the City of Pleasanton to remove the bodies of water in the unincorporated area from the market area where there is no population.

The resulting market area is presented in Exhibit 11, and includes the locations of key club retail stores considered in defining the market area.

#### **MARKET AREA SUPPORT OF PROJECT SALES**

For the purpose of this study, ALH Economics developed an estimate of the percentage of Project retail consumer sales from market area resident spending. This estimate is based on considering the geographic size of the market area, the Project size and tenant orientation, population density of the area, amount of existing retail in the market area, and Project proximity to major thoroughfares, including Interstates 680 and 580 and State Route 84. In addition, ALH Economics obtained data from [streetlightdata.com](http://streetlightdata.com) to identify home locations of customers shopping at the Danville and Livermore Costco locations, as representative club retail shopping. These data provide an assessment of the home location of origin by zip code for shoppers with a smart electronic device traveling to these stores during calendar year 2013, which comprises the most recent time period for which these data are available. The home location is determined based upon the location where the device is observed to spend the greatest amount of time. While these data do not pertain to all store shoppers, for the sake of analysis ALH Economics assumes they are representative of all shoppers, and thus provide information on the market area definition of stores as well as store demand by geography.

#### **Area Costco Market Areas and Project Club Retail Recaptured Sales**

The [streetlight.com](http://streetlight.com) data for the Danville Costco store are presented in Exhibit 12. These findings are also presented visually in Exhibit 13, which shows the density of demand for the store by zip code and the geographic dispersion of the store's market area. As these data indicate, demand for the Danville Costco store is strongest in the three zip codes that surround the store location. However, yet additional demand is generated from other zip codes radiating out from the store location, including zip codes located in the Project's market area. Based on the mapped zip code findings, ALH Economics believes the most appropriate market area definition for the Danville Costco store comprises the 8 zip codes above the dotted line on Exhibit 12, which includes all zip codes generating more than 1.7% of demand for the store. This includes the zip codes depicted on the map extending from Alamo south through Pleasanton, and east to include zip code 94588 but not Livermore's zip code 94550. These 8 zip codes are estimated to provide 58.6% of the store's shoppers. This includes repeat shoppers, as each shopper visit is counted separately.

The Danville Costco store information indicates that Costco market areas appear to obtain a high level of demand from shoppers dispersed over a wide area, likely associated with other shopping trips, travel, workday trips, etc. Thus, Costco stores appear to derive less than the typical amount of demand from a logically defined market area. This has bearing on the percent of demand the Project is estimated to derive from its market area. In addition, the Danville Costco store customer data indicate that the Danville store obtains significant demand from the zip codes that correspond with much of the Project's market area. These zip codes include 94568, 94588, and 94566. As noted in Exhibit 12, these three zip codes provide a collective total of 8.0% of shoppers for the Danville Costco store. Assuming that all shoppers spend equally, this suggests that 8.0% of the Danville Costco store sales are generated from the Project's market area. ALH Economics assumes that when the Project's club retail store is opened, these sales will be diverted from the Danville Costco store and comprise recaptured sales at the Project's club retail store. Thus, these sales that are already being made by market area retail consumers will comprise a base amount of sales for the Project's club retail space, generated by existing market area consumers.

Exhibit 14 presents shopper zip code of origin data for the Livermore Costco store. This exhibit demonstrates that the Livermore Costco store market area is even more diffuse than the Danville store, with 45.9% of store shoppers originating from zip codes comprising 1.7% or more of shoppers. This store additionally captures shoppers from further away, such as the Modesto and Stockton areas, which are over 40 and 50 miles away from the Livermore Costco store, respectively. ALH Economics believes this more dispersed shopper origin is influenced by the location of the large-scale Premium Outlets in Livermore, which has a wide geographic draw. Because of this wide dispersal ALH Economics did not prepare a representative map of the Livermore Costco market area. However, the information presented in Exhibit 13 indicates that 14.1% of the Livermore Costco store shoppers originate from the three zip codes that best correspond with the Project's market area. Thus, by extension, this suggests that 14.1% of the Livermore Costco store demand is generated by the Project's market area.

As with the Danville Costco store, ALH Economics assumes that when the Project's club retail store is opened, the market area sales captured by the Livermore Costco store will be diverted to the Project's store and comprise recaptured sales at the Project's club retail store. However, ALH Economics attributes greater weight to these recaptured sales than represented by the 14.1% share of demand. This is attributable to the assumed high retail sales achieved by the Livermore Costco store. Information obtained by ALH Economics regarding this store suggests that its performance exceeds national averages, with total store sales significantly greater than projected for the Project's club retail store, likely in the direction of 50% higher than projected for the Project. Thus, Project market area sales contribution of 14.1% to this store will comprise a greater percentage share of sales for the Project's club retail store. Applying a 50% higher factor results in an estimate of approximately 21% of Project club retail sales generated by market area shoppers already shopping at area club retail stores. Combining this figure with the 8% derived from the Danville store (assuming the Danville store performs on par with the Project store projection) results in an assumption that approximately 30% of Project club retail sales will comprise recaptured demand from existing market area consumers. This finding suggests that market area shoppers who want to shop at a club retail store are already doing so. Thus, these shoppers are unlikely to change their shopping habits other than to redirect their club retail shopping closer to home, at the Project's club retail component.

Notably, recaptured sales from existing club retail stores is an expected phenomena among club retailers. For example, in the company's 2015 10-K on file with the Securities and

Exchange Commission Costco states: “A new warehouse may draw members away from our existing warehouses and adversely affect comparable warehouse sales performance and member traffic at those existing warehouses.”<sup>10</sup> This supports the assumption that a portion of Project club retail sales will be recaptured sales from existing club retail stores.

### **Share of Project Sales Generated by Market Area**

Based on the preceding information, ALH Economics developed two different assumptions for the share of Project retail sales generated by market area residents. One assumption pertains to the Project’s general retail space while the other pertains to the club retail space. The general retail space is anticipated to be relatively traditional retail space, with competitive opportunities located nearby and in other Tri-Valley communities. Thus, ALH Economics assumes that 80% of the demand for this space will be generated from the defined market area. Consumers living outside this market area are assumed to have similar nearby shopping opportunities, and be less likely to travel to patronize the Project’s general retail space. This could be a conservative figure given that the Project’s club retail space is anticipated to have a greater draw (see below), but this is a reasonable figure to assume based upon the preceding review of industry standards and the amount of retail in communities neighboring Pleasant and Dublin, which comprise the bulk of the Project’s market area.

For the club retail space, however, ALH Economics assumes a smaller percentage of demand will originate from the market area. This is largely based on the findings pertinent to the Danville and Livermore Costco stores. These two stores have widely dispersed areas from which shoppers originate, with primary market areas that seemingly generate 58.6% and 44.4% of demand. Based on this finding, ALH Economics assumes that market area retail consumers will account for 60% of sales at the Project’s club retail space.

### **Market Area Sales Generated by Market Area Consumers**

Exhibit 15 presents the Project-based retail sales that comprise the core of the economic impact analysis. These are the sales that are anticipated to be generated by market area retail consumers, and which comprise sales that could be diverted from other market area retailers if sufficient new demand is not generated to support the sales. This takes in to account the earlier assumption that select sales will be wholesale in nature, and thus not competitive with the market area’s traditional retail base, plus the recaptured sales from existing area club retail stores and the share of sales generated by market area consumers.

The competitive market area sales are presented in Exhibit 15 by type of retail, i.e., general retail and retail, and by development status, i.e., Phase 1, Increment to Buildout, and at Full Buildout. The total sales are summarized below in Table 6.

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<sup>10</sup> United States Securities and Exchange Commission, Costco Wholesale Corporation 10-K form for the fiscal year ending August 30, 2015, page 8.

**Table 6. Summary of New Project Sales Generated by Market Area Retail Consumers**

<b>Retail Category</b>	<b>Phase I</b>	<b>Increment to Buildout</b>	<b>Total</b>
General Retail	\$1,498,846	\$55,168,640	\$56,667,487
Club Retail	\$63,070,537	\$0	\$63,070,537
<b>Total</b>	<b>\$64,569,384</b>	<b>\$55,168,640</b>	<b>\$119,738,024</b>

Source: Exhibit 15.

This table indicates that the Project's competitive sales are estimated to total \$64.6 million for Phase I, an incremental \$55.2 million to buildout, and a total of \$119.7 million upon Full Buildout.

The estimated distribution of sales by type of retail varies by retail component. The general retail sales allocation by retail category is summarized in Table 7 while the club retail space sales allocation by retail category is summarized in Table 8.

As noted below in Table 7, there are three retail categories where general retail sales are anticipated to exceed \$10.0 million at Full Buildout. These include Other Retail, Clothing, and Food Services (e.g., restaurants).

**Table 7. Project General Retail Sales Generated by Market Area Retail Consumers**

<b>Retail Category</b>	<b>Phase 1</b>	<b>Increment to Buildout</b>	<b>Total</b>	<b>Percent of Total</b>
Motor Vehicles and Parts Dealers	\$0	\$0	\$0	0%
Home Furnishings and Appliance Stores	\$153,189	\$5,638,474	\$5,791,663	10%
Building Materials and Garden Equip.	\$142,416	\$5,241,964	\$5,384,380	10%
Food and Beverage Stores	\$0	\$0	\$0	0%
Gasoline Stations	\$0	\$0	\$0	0%
Clothing and Clothing Accessories Stores	\$365,722	\$13,461,289	\$13,827,011	24%
General Merchandise Stores	\$141,136	\$5,194,861	\$5,335,998	9%
Food Services and Drinking Places	\$288,849	\$10,631,773	\$10,920,622	19%
Other Retail Group	\$407,534	\$15,000,279	\$15,407,814	27%
<b>Total</b>	<b>\$1,498,846</b>	<b>\$55,168,640</b>	<b>\$56,667,487</b>	<b>100%</b>

Source: Exhibit 15.

The sales distribution is different for the club retail space, with the majority of sales anticipated to comprise food store sales. These sales are anticipated to comprise \$32.1 million generated by market area residents not already making food purchases at other area club retail stores, as these diverted sales are not included in the figures cited in Table 8. All other categories are anticipated to comprise less than \$7.5 million in sales generated by market area retail consumers.

**Table 8. Project Club Retail Sales Generated by Market Area Retail Consumers**

<b>Retail Category</b>	<b>Phase 1</b>	<b>Increment to Buildout</b>	<b>Total</b>	<b>Percent of Total</b>
Motor Vehicles and Parts Dealers	\$3,143,726	\$0	\$3,143,726	5%
Home Furnishings and Appliance Stores	\$4,419,892	\$0	\$4,419,892	7%
Building Materials and Garden Equip.	\$2,645,710	\$0	\$2,645,710	4%
Food and Beverage Stores	\$32,075,342	\$0	\$32,075,342	51%
Gasoline Stations	\$6,278,039	\$0	\$6,278,039	10%
Clothing and Clothing Accessories Stores	\$2,023,190	\$0	\$2,023,190	3%
General Merchandise Stores	\$4,840,093	\$0	\$4,840,093	8%
Food Services and Drinking Places	\$249,008	\$0	\$249,008	0%
Other Retail Group	\$7,395,537	\$0	\$7,395,537	12%
<b>Total</b>	<b>\$63,070,537</b>	<b>\$0</b>	<b>\$63,070,537</b>	<b>100%</b>

Source: Exhibit 15.

### **MARKET AREA RETAIL ORIENTATION**

The Project will be located in a market area currently characterized by a large and healthy retail sector characterized by low retail vacancy rates. Thus the Project's club retail and general retail space will comprise a modest addition to an already large and varied retail base, which includes a range of big box, discount, traditional, and specialty retailers, many of which have regional draw.

The market area comprises desirable residential communities and offers unique regional amenities, including the Alameda County Fairgrounds and Pleasanton Ridge Regional Park, and is home to a strong office sector, including various business parks, such as Hacienda Business Park. Many companies are based out of Pleasanton, such as Workday, Veeva, and Ellie Mae. In addition, close proximity to Interstates 580 and 680 and BART make the market area attractive for Bay Area connectivity.

There are numerous retail shopping districts and shopping centers in the market area. Key shopping centers and districts are listed in Exhibit 16 and mapped for locational reference purposes in Exhibit 17, including locations relative to the Project site. In the discussion below, reference numbers for each cited shopping area are presented in parentheses following the area/center name, with the numbers matching ones referenced in Exhibits 16 and 17.

The largest retail option in the Project's market area is Stoneridge Mall (#5). With approximately 1.3 million square feet this regional mall includes many national big box and smaller retail chain options. Adjacent to the mall is JC Penney Plaza (#2), an older center with medium-sized chain stores such as Office Max and Cost Plus. Beyond this mall area, Pleasanton offers several small retail corridors with groupings of two or three shopping centers, mostly older neighborhood-serving centers that are well maintained. These areas include:

- Along the Hopyard Road corridor near Stoneridge Drive is a mix of service and retail at Gateway Square (#3) and the Crossroads Shopping Center (#4);
- Also along the Hopyard Road corridor near Valley Avenue is Gene's Fine Food/Rite Aid center (#8) and the upscale Hopyard Village (#9);
- In south Pleasanton on Bernal Avenue near Valley Avenue are Bernal Plaza (#29) and Pleasanton Gateway (#30), a newer retail center, which appears at the heart of newer multifamily development;



- Along the Santa Rita Road corridor near Valley Avenue are the small neighborhood-serving retail centers of Mission Plaza (#26), Amador Center (#27), and Valley Plaza (#28), which are mostly older, but well maintained with low vacancy; and
- Also along the Santa Rita Road corridor near Las Positas Boulevard are the small, neighborhood-serving retail centers of Santa Rita Square (#16) and Meadow Plaza (#17).

The southernmost part of the market area includes Downtown Pleasanton and select neighborhood-serving shopping centers. Downtown Pleasanton (#31) is a very pedestrian-oriented shopping district, with restaurants, boutique apparel stores, specialty stores, and hotels. Examples of specialty stores include western apparel, jewelry (new and repair), bakeries, floral-based gift shops, and home goods. Downtown Pleasanton largely comprises an approximate 7-block long area along Main Street, but with additional retailers located on adjoining streets. It is also adjacent to Pleasanton's Civic Center. This area is organized into the Pleasanton Downtown Association (PDA), which operates as an assessment district with the goal of developing and promoting a vibrant downtown community. Fieldwork observation suggests the PDA achieves this goal, with a unique mix of retailers, strong pedestrian shopper activity, and a friendly atmosphere, such as welcoming dogs into many of the small shops. There are currently several small shop vacancies in Downtown Pleasanton, but most already have new tenants in progress. For example, another coffee shop will be backfilling the former Tully's space and across the street a women's clothing store is being replaced by a women's shoe store.<sup>11</sup> Another example includes Tara's Organic Ice Cream, which left in December 2015, with the property owner negotiating a lease with an undisclosed new tenant. The speedy rate at which these Downtown Pleasanton retail vacancies are backfilled is a testament to the vibrancy of Downtown as an important Pleasanton shopping district.

Pleasanton's Pleasant Plaza (#34) is located near Downtown Pleasanton and a residential area. This small neighborhood-serving shopping center includes Cole's Market (a convenience store), Bob's Burgers, and non-retail services such as a barber and nail salon. Also in southern Pleasanton, Oak Hills Shopping Center (#36) is located adjacent to residential neighborhoods. This is a larger neighborhood-serving shopping center anchored by Raley's. Southern Pleasanton also features Vintage Hills Shopping Center (#37), which is a small neighborhood-oriented shopping center with a relatively new market, New Leaf Market, and a fitness center, Montessori school, jewelry store, frozen yogurt, and other neighborhood-oriented tenants.

A very large regional-serving retail node that straddles the Interstate 580 corridor includes retail in both the cities of Pleasanton and Dublin. To the south of Interstate 580, in Pleasanton, is an older retail node comprising Metro 580 (#7), Rose Pavilion (#24), and Pimloco Plaza (#25), which include stores such as Walmart, Kohl's, Party City, Macy's Furniture, Ranch 99, Dollar Tree, and Trader Joe's. Within the Dublin portion of this corridor there is newer retail stock which includes Persimmon Place (#10), Hacienda Crossings (#21), Dublin Corners (#23), and Shops at Waterford (#33), all within the Project's market area and Grafton Station (#32) and Fallon Gateway (#35), which both lie outside the Project market area. This Dublin section of the corridor includes stores such as Whole Foods, Nordstrom Rack, HomeGoods, TJ Maxx, Bed, Bath, & Beyond, Best Buy, Safeway, Lowe's, Target, and Dick's Sporting Goods.

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<sup>11</sup> Backfilling refers to re-tenanting of vacant retail spaces



In Dublin, to the north across Interstate 580 from Stoneridge Mall, there is a large retail node along Dublin Boulevard, San Ramon Road, Amador Valley Boulevard, and Amador Valley Plaza. This node includes Dublin Place (#14), Dublin Plaza Center (#13), Dublin Center (#12), Almond Plaza (#11), Lamps Plus Plaza (#15), Shamrock Village (#18), Amador Plaza (#20), and a Safeway-anchored center (#21). These eight shopping centers include stores such as Target, Hobby Lobby, DSW Shoes, Michael's, OSH, Ross, Marshall's, Sprouts, Jo-Ann's Fabrics, REI, Dollar Tree, 99 Ranch, Sports Authority, and Safeway. This area of Dublin, near Interstate 680 and Dublin Boulevard, also includes Valley Center Shopping Center (#19), a small strip center with tenants such as restaurants, a nail salon, and a laundromat.

The market area also features shopping centers located adjacent to residential or office space but no other retail offerings. In Pleasanton these include Pleasanton Square Shopping Center (#1) located in northern Pleasanton near office space in Pleasanton and includes tenants such as Home Depot, Smart & Final Extra, Tap Plastics, and BevMo!. Val Vista Center (#6) is a Lucky-anchored neighborhood-serving shopping center located within a residential area.

As noted during February 2016 fieldwork, market area retail vacancies were actively being marketed and there was a lack of large big box type of vacancies, the exception being Rose Pavilion (#24) in Pleasanton, which contains a former Ethan Allen (recently moved to the brand new Persimmon Place in Dublin), a former Fresh & Easy, and a vacant CVS, which built a brand new store within the newer portion of the same shopping center.

Typical signs of urban decay include graffiti, trash, boarded windows, none of which are prevalent in Pleasanton and Dublin. As in any retail market, there will be vacancies and some chronic vacancies, particularly when new retail is constructed and some retailers prefer newer retail stock in updated developments as seen in the new CVS in Rose Pavilion and the relocation of Ethan Allen from Rose Pavilion to Persimmon Place. Pursuant to fieldwork observation, indicators of urban decay such as graffiti, boarded windows, and trash in parking lots were largely not present in the market area. Most vacancies appear to be well maintained and are actively being marketed. Thus, overall, ALH Economics finds the market area to comprise a healthy retail market with a varied mix of retail offerings.

In summary, the Project's location close to Interstates 680 and 580 would serve to strengthen Pleasanton's retail base and the existing retail node adjacent to Highway 580. In addition to the Project's general environs being a strong retail node, the market area as a whole appears to have a relatively healthy, large, and diverse retail base. The area includes neighborhood through regional shopping opportunities. The neighborhood and community shopping centers include approximately 17 stores selling groceries (excluding ethnic food stores but including general merchandise retailers like Target with a strong food sales component) while the regional shopping opportunities include department stores such as Macy's and Nordstrom's that are not located elsewhere in the Tri-Valley area. Thus the Project's market area serves a broad range of consumer shopping needs.

## V. MARKET AREA DEMOGRAPHICS AND RETAIL SPENDING POTENTIAL

This report chapter identifies the market area's demographic characteristics, including in comparison to the cities of Pleasanton and Dublin. The chapter additionally estimates retail demand generated by the market area's residents.

### DEMOGRAPHIC CHARACTERISTICS

ALH Economics developed population and household estimates and projections for the market area to provide a basis for estimating market area retail demand. These estimates and projections were prepared based upon projections formulated by the Association of Bay Area Governments (ABAG), the Regional Council of Governments for the San Francisco Bay Area. These projections were prepared in 2013, and provide estimates and projections in 5-year increments, up to the year 2040. These projections are provided on a jurisdictional basis, such as cities, as well as by census tract. The projections are prepared for population and household counts, among other demographic factors.

ALH Economics culled the population and household projections for the City of Pleasanton, the City of Dublin, and the census tracts comprising the market area. These figures were pulled for the years straddling the Project's anticipated development timeline, and then interpolated for years key to the analysis. These key years are 2018, the first year during which Phase I development is anticipated to be fully operational is anticipated to be complete, and 2028, which is anticipated to coincide with full Project buildout.

The resulting demographic estimates and projections for the Project's market area indicate that the market area has an estimated 2015 household count of 39,409 (See Exhibit 18). The population equivalent is 113,799. This is for the 21 census tracts that collectively comprise the market area. By 2018, the first estimated year of full operations for the Project, the household count is forecasted to increase to 40,824, for an increase of 1,415 households. By 2028, the Project's buildout year, the household count is forecast to rise to 45,504, or by an additional 4,680 households. Based on the estimates in Exhibit 18, the market area comprises approximately 92% of the combined household counts for Pleasanton and Dublin.

Household incomes in the market area vary somewhat by geography, with the average household income in 2015 comprising \$153,130 in Pleasanton and \$140,220 in Dublin. For the market area as a whole, the average is \$146,232 as presented in Table 9 below.

**Table 9. Market Area Average Household Income**

<b>Geographic Area</b>	<b>2015 Income</b>
City of Pleasanton	\$153,130
City of Dublin	\$140,220
Market Area	\$146,232

Source: Nielsen Reports.

These average household incomes are estimated by Nielsen Reports, as there are no governmental resources with current household income estimates for the jurisdictions comprising the market area, or of course for the customized market area itself.

## **MARKET AREA RETAIL DEMAND POTENTIAL**

### **Approach to Estimating Retail Demand**

ALH Economics prepared a retail spending potential analysis, or demand analysis, for the Project's market area households. This spending analysis takes into consideration average household income, the percent of household income spent on retail goods, and prospective spending on retail by the same retail categories reported by the BOE. Pursuant to data published by the U.S. Bureau of Labor Statistics, 2013 Consumer Expenditures Survey, households in the income group with annual household incomes \$70,000 or more throughout the United States spent an average of 25% of household income on the type of retail goods tracked by the BOE. This is the highest income bracket analyzed by the Consumer Expenditures Survey, and these households had average household incomes of \$131,945 before taxes. This average income is high because the income bracket includes all households earning over \$70,000. Select other income ranges and associated average household incomes include the \$40,000 to \$49,999 range with a \$44,576 average, spending 40% of income on retail, and the \$50,000 to \$69,999 range with a \$59,101 average, spending 36% of income on retail.

The spending pattern for households earning \$70,000 and more is the most appropriate Consumer Expenditures Survey match for the market area. Therefore, ALH Economics assumes that for the market area households, 25% of income will be spent on retail goods. This results in a per household retail spending estimate of \$36,558.

As a proxy for household spending patterns, ALH Economics analyzed statewide taxable sales trends for 2013 and converted them to estimated total sales.<sup>12</sup> The results, presented in Exhibit B-5, indicate that household spending by retail category ranges from a low of 5.2% on Home Furnishings & Appliances to a high of 17.1% on Food & Beverage stores.

Market area retail demand projections for the market area's current and future household bases were estimated based upon the percent share of income spent on retail and estimated distribution of retail spending. The demand projection for the current household base is presented in Exhibit 19 and the demand estimates for the incremental new households to 2018 and 2028 are presented in Exhibit 20. These demand estimates are then combined in Exhibit 21, which presents the total demand estimate for the current 2015 time period as well as future household demand in 2018 and 2028, all in 2015 dollars.

### **Retail Demand Findings**

The household demand estimates in Exhibit 21 are summarized below in Table 10. This indicates that the current household base has the estimated potential to spend \$1.4 billion on retail goods. The largest share of spending is for Food & Beverage stores, which totals \$246.7 million for the existing household base. The total demand estimate will increase by almost \$52.0 million by the time the Project's Phase I is fully operational, totaling \$1.5 billion 2018.

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<sup>12</sup> The year 2013 comprises the most recent year for which annual taxable sales are published by the State of California Board of Equalization.

Yet another \$171.1 million in demand will be generated between 2018 and Project buildout in 2028, comprising total market area demand of \$1.7 billion by 2028.

**Table 10. Market Area Retail Demand Estimates, in millions**

<b>Type of Retailer</b>	<b>Existing 2015</b>	<b>2015- 2018</b>	<b>2018- 2028</b>	<b>Total by 2028</b>
Motor Vehicles and Parts Dealers	\$199.0	\$7.1	\$23.6	\$229.7
Home Furnishings and Appliance Stores	\$74.4	\$2.7	\$8.8	\$85.9
Building Materials and Garden Equip	\$86.9	\$3.1	\$10.3	\$100.3
Food and Beverage Stores	\$246.7	\$8.9	\$29.3	\$284.8
Gasoline Stations	\$166.4	\$6.0	\$19.8	\$192.1
Clothing and Clothing Accessories Stores	\$102.2	\$3.7	\$12.1	\$118.0
General Merchandise Stores	\$200.7	\$7.2	\$23.8	\$231.7
Food Services and Drinking Places	\$183.7	\$6.6	\$21.8	\$212.1
Other Retail Group	\$180.9	\$6.5	\$21.5	\$208.9
<b>Total</b>	<b>\$1,440.7</b>	<b>\$51.7</b>	<b>\$171.1</b>	<b>\$1,663.5</b>
<b>Cumulative Total</b>	<b>\$1,440.7</b>	<b>\$1,492.4</b>	<b>\$1,663.5</b>	<b>\$1,663.5</b>

Source: Exhibit 21.

These figures demonstrate that the market area has very strong retail spending potential.

## VI. PROJECT SALES IMPACT ANALYSIS

This chapter assesses the extent to which the Project's sales might impact the existing retail sales base. It examines the characterization of the sales bases in Pleasanton and Dublin, the two cities that comprise the bulk of the Project's market area, and then considers the extent to which the Project may or may not divert sales away from existing retailers.

### RETAIL SALES BASE CHARACTERIZATION

#### Approach

For the purpose of this study, ALH Economics characterized the retail sales bases of Pleasanton and Dublin with regard to the extent to which they attract or leak retail demand generated by their population base. Toward this end, ALH Economics uses a retail model that estimates retail spending potential for an area based upon household counts, income, and consumer spending patterns. The model then computes the extent to which the area is or is not capturing this spending potential based upon taxable sales data published by the State of California Board of Equalization (BOE) or provided by local government municipal tax consultants. This analysis can be most readily conducted for cities, groupings of cities, or counties, consistent with the geographies reported by the BOE.

For any study area, retail categories in which spending by locals is not fully captured are called "leakage" categories, while retail categories in which more sales are captured than are generated by residents are called "attraction" categories. This type of study is generically called a retail demand, sales attraction, and spending leakage analysis, or retail gap analysis. Generally, attraction categories signal particular strengths of a retail market while leakage categories signal particular weaknesses. ALH Economics' model, as well as variations developed by other urban economic and real estate consultants and economic analysts, compares projected spending to actual sales.

For the purpose of generating a Retail Demand, Sales Attraction, and Spending Leakage Analysis for the relevant cities, and the market area as a whole, ALH Economics obtained taxable retail sales data for 4<sup>th</sup> Quarter 2013 through 3<sup>rd</sup> Quarter 2014 as reported by the BOE and adjusted the taxable sales to reflect total, more current sales. These were the most recent BOE data available at the time the study was conducted. Using the retail sales data, combined with household counts from the demographic estimates benchmarked to ABAG forecasts and household income figures estimated by Nielsen Reports, ALH Economics conducted Retail Demand, Sales Attraction, and Spending Leakage Analyses. These analyses compared total estimated household spending to actual retail sales in both Pleasanton and Dublin. To the extent possible, sales estimates were updated to reflect a more current time period than measured by the BOE data. This included analyzing sales tax trend data in Pleasanton from 2<sup>nd</sup> Quarter 2014 through 4<sup>th</sup> Quarter 2015, to generate sales adjustment factors by category to result in an estimated 2015 retail sales base. These data were provided by the City of Pleasanton via the City's tax consultant. Comparable data were requested for the City of Dublin; therefore, sales adjustments for Dublin were based upon the CPI index, with the exception of gasoline sales, which was adjusted at the same rate as Pleasanton because the volatility of gasoline sales is not tied to the CPI index. Retail sales for both cities were also adjusted upward to adjust for nontaxable sales in key sales categories, including Food &

Beverage stores and the drug store component of Other Retail sales. All these adjustments are noted as relevant in the analysis.

## Household Spending Estimates

ALH Economics' Retail Demand, Sales Attraction, and Spending Leakage Analysis requires household count, average household income, and percent of income spent on retail inputs for the area of analysis. As noted in Table 9, the annual household income profiles vary modestly between Pleasanton and Dublin, with both exceeding \$130,000. Accordingly, the percent of income spent on retail is assumed to be similar to the percentage assumed in the market area, which is 25%. The resulting annual retail household spending estimate by city is presented in Table 11, along with the earlier referenced market area finding. These figures are \$38,283 for Pleasanton and \$35,055 for Dublin.

<b>City</b>	<b>2015 Income</b>	<b>% Spent on Retail</b>	<b>Average HH Spending</b>
Pleasanton	\$153,130	25%	\$38,283
Dublin	\$140,220	25%	\$35,055
Market Area	\$146,232	25%	\$36,558

Sources: Nielsen Reports; and ALH Urban & Regional Economics.

## Retail Demand, Sales Attraction, and Spending Leakage Findings

**City of Pleasanton.** The estimate of Pleasanton's retail sales base pursuant to the most recently available BOE data is presented in Exhibit 22. This figure, reflective of annual retail sales ending the 3<sup>rd</sup> Quarter of 2014, is approximately \$1.6 billion. With interim adjustments to year-end 2015 based on changes in citywide retail sales trends, the sales base was estimated to increase modestly, but still rounds to a total of \$1.6 billion by the end of 2015 (see Exhibit 23). This indicates average sales on a per household basis of \$60,348. This figure reflects sales captured per household, not demand per household. Pursuant to the estimated distribution of household demand based upon the pattern noted earlier in Exhibit B-4, and cited in Tables 8 and 10, estimated retail spending per household in Pleasanton is \$38,283. This demand figure is substantially lower than the sales per household figure, indicating in the aggregate that Pleasanton captures more sales than is spent by its own households. In other words, Pleasanton as a whole attracts retail sales. This result is not surprising, as Pleasanton has a large retail base, including a regional shopping center.

Overall, the Retail Demand, Sales Attraction, and Spending Leakage estimates in Exhibit 24 suggest that just over 36% of the sales achieved in Pleasanton are attracted from elsewhere. As Exhibit 24 further indicates, this retail sales attraction extends across almost every retail category, with the exception of Building Materials and Garden Equipment and Gasoline Stations. This would suggest some potential for retail new to Pleasanton to stem leakage and recapture sales lost to Pleasanton retailers in these two categories. However, as noted below, when analyzed in the context of neighboring Dublin's retail base, which has attraction in these two categories, the leakage in Pleasanton is likely being measured as attraction to the City of Dublin. Therefore, instead of comprising recaptured sales leakage, sales achieved by new Pleasanton retailers will comprise sales generated by new market area household growth, sales

diverted away from existing market area retailers, sales that serve to strengthen the city's existing sales attraction, or some combination thereof.

**City of Dublin.** The findings for the City of Dublin demonstrate an even greater level of estimated attraction compared to Pleasanton. The estimated 4<sup>th</sup> Quarter 2013 through 3<sup>rd</sup> Quarter 2014 sales base in Dublin totaled \$1.4 billion (see Exhibit 25). Adjusted to 2015 based upon changes in the CPI index, coupled with the more volatile estimate of changes in Gasoline sales, results in a slightly lower 2015 sales estimate, but one which continues to round to \$1.4 billion (See Exhibit 26; the decline is due to the lower cost of gasoline). Per household sales generally equaled \$88,078, compared to the per household demand estimate of \$35,055. Thus, Dublin achieves even higher retail sales attraction than Pleasanton, estimated at 60.2% of all sales (see Exhibit 27). In contrast to Pleasanton, Dublin achieves retail sales attraction in all major retail categories.

## PROJECT SALES IMPACTS

This section estimates the extent to which the Project's sales may comprise a negative sales impact on the existing retail sales base. For study purposes, ALH Economics combined the Pleasanton and Dublin estimated retail sales bases as a proxy for the market area. This includes some Dublin retail sales generated by retail stores not included in the market area. However, this is deemed a more meaningful basis for analysis than estimating through imprecise means the portion of Dublin's sales base that is not included in the market area. Moreover, while consumer demand may originate from within the defined market area, likely all outlets in Pleasanton and Dublin receive some increment of demand from households in the Project's defined market area.

### Approach

ALH Economics has developed an analytic approach that estimates the impact of the Project's incremental sales on existing retailers. For this analysis, the approach assumes that if the Project is adding sales to a category in an amount greater than any potential recaptured leakage in the category, **then at worst**, the amount of sales in that category in excess of any recaptured leakage would be diverted away from existing area retailers. In cases when this applies, this can be a conservative assumption given that diverted sales beyond the amount of recaptured leakage could also occur among other retailers beyond the market area or relevant city boundaries. Or, in cases where new household growth occurs, demand captured from these new households can offset impacts by increasing total sales captured by retailers throughout the area under study. In the case of the Johnson Drive EDZ Project, the combined cities of Pleasanton and Dublin do not appear to exhibit any retail leakage. This analysis therefore focuses exclusively on the potential for Project sales generated by the Project's market area retail consumers to be absorbed by new demand, with any resulting sales not absorbed by new demand comprising potential sales impacts.

### Market Area Retail Sales Base

To best assess the Project's sales impacts it is optimal to have an understanding of the size of the existing retail sales base. As stated above, for the purpose of this study this sales base is anticipated to comprise the summation of the retail sales bases in Pleasanton and Dublin. Pursuant to the analyses presented in Exhibits 23 and 26 this sales base is estimated to total \$3.0 billion in 2015.

## Future Growth Considerations

As noted earlier, the market area is estimated to grow by 1,415 households between 2015 and 2018, the year the Project's Phase I is estimated to be fully operational, and by another 4,680 households by 2028, the Project's year of Full Buildout. These new households will generate additional demand for retail sales, as documented in Exhibits 19 through 21. These new sales are estimated to total \$51.7 million by 2018 and an incremental \$171.1 million by 2028, and include sales in all the categories of estimated Project sales.

## Estimated Project Sales Base Impacts

**Approach.** ALH Economics analyzed the Project impacts on the existing sales base based upon the amount of Project sales generated by market area residents not absorbed by new household demand. This does not mean that the new households are anticipated to spend all their retail dollars at the Project, but that as new retail dollars are spent in the market it provides support for all retailers, which may or may not include the Project's retailers. Thus, if the Project diverts retail dollars spent at existing market area retailers, new demand generated by household growth can potentially offset these sales diversions. Moreover, new demand for sales categories not represented by the Project can additionally provide support for yet other retailers, and hence support retail occupancy for additional new retailers. This analysis was conducted for the Project's Phase I development as well as the incremental development to Full Buildout, and consolidated in a Full Buildout scenario.

**Phase I Sales Base Impacts.** The analysis assessing the Project's Phase I impacts on the market area's estimated existing retail sales base is fully presented in Exhibit 28 and summarized below in Table 12. Taking into consideration prospective demand generated by households new to the market area prior to the full operation of Phase I, the Project's sales impacts may result in estimated sales decline of \$26.7 million for existing retailers, or 0.9% of existing market area sales. Overall this is a nominal level of impact, which comprises approximately 16% of all Phase I Project sales. Thus, overall, at least 84% of the Project's \$172.3 million in estimated Phase I sales will comprise net new sales to the City of Pleasanton's (see Exhibit 9 for the \$172.3 million figure).

Table 12. Project Phase I Sales Impacts on Existing Sales Base

Retail Category	Total Net New Consumer Retail Sales	New Market Area Demand 2015-2018	Sales Impact Less New Demand	% Impact on Sales Base	Remaining Demand For Backfilling
Motor Vehicle & Parts Dealers	\$3,143,726	\$7,145,800	\$0	0.0%	\$4,002,074
Home Furnishings & Appliances	\$4,573,080	\$2,670,856	\$1,902,224	0.9%	\$0
Building Materials & Garden Equipment	\$2,788,126	\$3,119,560	\$0	0.0%	\$331,434
Food & Beverage Stores	\$32,075,342	\$8,860,179	\$23,215,163	7.4%	\$0
Gasoline Stations	\$6,278,039	\$5,976,404	\$301,636	0.2%	\$0
Clothing & Clothing Accessories	\$2,388,912	\$3,670,104	\$0	0.0%	\$1,281,192
General Merchandise Stores	\$4,981,229	\$7,207,640	\$0	0.0%	\$2,226,411
Food Services & Drinking Places	\$537,857	\$6,598,189	\$0	0.0%	\$6,060,332
Other Retail Group	\$7,803,072	\$6,496,950	\$1,306,122	0.6%	\$0
Total	\$64,569,384	\$51,745,682	\$26,725,145	0.9%	\$13,901,443

Source: Exhibit 28.

While the overall sales impact is relatively nominal as a percent of the sales base, there are three retail categories with estimated sales impacts. These categories include the following:



- Home Furnishings & Appliances with \$1.9 million in sales impacts, or less than 1.0% of the category sales base;
- Food & Beverage Stores with \$23.2 million in sales impacts, or 7.4% of the category sales base; and
- Gasoline Stations with approximately \$0.3 million in sales impacts, or 0.2% of the sales base.

The sales impacts in Home Furnishings & Appliances and Gasoline Stations are nominal and, given the size of the sales base, are not deemed large enough to result in existing retail outlet closures. The impacts are likely to be experienced by a number of existing market area retailers, and thus not concentrated amongst any single retailer to the point where business closure could result from declining sales. In addition, these impacts assume the Project's Phase I components achieve stabilized sales during the first full year of operations. More typically, new retailers achieve stabilized sales over a period of several years, such that the full amount of estimated Phase I sales will not be achieved until sometime after 2018. By this time, yet additional new market area demand will be generated, further offsetting the projected sales impacts. For example, based upon findings presented in Exhibit 21, the average annual new demand generated for Gasoline Stations between 2018 and 2028 is almost \$2.0 million a year. Thus, the anticipated Gasoline Stations impacts will be offset within a year after the start of the Project's Phase I operations. In like manner, the Home Furnishings & Appliances estimated sales impacts of \$1.9 million could be offset in just over two years. These findings further reinforce the conclusion that existing Home Furnishings & Appliances and Gasoline Stations are unlikely to experience sales impacts from Phase I development severe enough to result in existing outlet closures.

The estimated sales impacts in the Food & Beverage Stores category are more substantial than the other category impacts. At \$23.2 million, these impacts are equivalent to 7.4% of the existing sales base. While the Project's estimated Food & Beverage Store sales may also not achieve stabilization until sometime after 2018, these impacts are more substantial and could result in lower store sales performance among a number of existing Food & Beverage stores. As noted earlier, this includes at least 17 more traditional food stores, as well as numerous ethnic and other small food markets. These include a wide variety of stores, such as Safeway, Raley's, and Lucky, and more specialty or upscale grocers such as Whole Foods, Trader Joe's, Sprouts, New Leaf, and Gene's Fine Foods. The existing stores also include stores more comparable to the discounted or bulk food options available at a club retailer, such as Walmart Neighborhood Market, Smart & Final Extra, and Target.

Food & Beverage stores achieve a wide range of per square foot sales performance. Assuming an overall industry average of \$643 per square foot (see Exhibit 9), the estimated volume of diverted Food & Beverage Store sales is sufficient to support approximately 36,000 square feet of space. This level of impact suggests the potential for one existing grocery store in the market area to be at risk of potential closure following Phase I development of the Project, although the impact will more likely be spread among the more than 17 market area stores selling groceries. If spread equally among just these 17 stores the level of impact would be less than \$1.4 million in sales impact per store, which is likely not a sufficient sales volume loss to trigger store closure. Many stores can likely compensate for this loss through product repositioning and other operational changes. Further, some of these impacts will be offset over time as additional new demand is generated, averaging about \$3.0 million a year after 2018 (see figures included in Exhibit 21).

There are a number of factors endemic to the club retail shopping experience that could minimize the impacts on the existing Food & Beverage retailers, or especially on specific food stores. Using examples from Costco, club retail merchandise is not targeted to the average grocery store consumer. Many Costco items are only available in bulk. This includes mostly foodstuffs and other items one could purchase at a grocery store, such as two loaves of sliced bread bundled together, a case of kidney bean cans, 15 rolls of paper towels, and a 33.9-ounce can of ground coffee. It is not possible at Costco to purchase an individual-sized pastry, a quart of milk, a small spice jar, a dozen eggs, or just a pound of butter. Costco food sales are clearly targeted toward large families, restaurants, event organizers, and other consumers with extensive storage capacity. Accordingly, Costco is not the type of store where the average household consumer will stop by once or twice a week to round out the pantry and purchase ingredients for intimate family dinners.

In addition, Costco typically carries only one brand at a time of certain items, such as canned peaches or tomato sauce. Thus, selection is not the hallmark of Costco. In fact, Costco typically carries 3,700 items, or SKUS (stock-keeping units) for sale throughout the entire store.<sup>13</sup> This compares to 15,000 to 60,000 at a traditional supermarket for just grocery goods.<sup>14</sup> Thus shoppers seeking food product variety will not find it at Costco.

Costco is further distinguished from the average retailer pursuant to its payment options and how it assembles items purchased by customers. Costco warehouses accept cash, checks, certain debit cards, and Visa. No other major credit cards are accepted for the payment of merchandise. These methods of payment may limit Costco's customer base. Once a customer has made purchases, Costco does not provide bags or bagging services. Some items are loaded into packing boxes by Costco cashiers, but the balance of goods are either reloaded back into the shopping cart by the Costco cashiers or can be placed into bags provided by the customer. This approach may further limit Costco's customer base among customers accustomed to merchandise bagging.

The preceding club retail merchandising factors may contribute to the dispersal of the estimated Food & Beverage sales impacts, or even lessening of the impacts. Moreover, stores can adapt their merchandising mix and customer service strategies to be more resistant to Project sales impacts. Yet, if a store closes there are other demand opportunities available to backfill the space, thus reducing the likelihood of long-term retail vacancy. For some Project sales categories new market area demand will exceed the portion of Project sales estimated to be generated by market area households, thus no impact will result and demand available for other retailers will result. As noted in Exhibit 28, after absorption of Project sales, an estimated \$13.9 million in new retail demand will still be available for a range of retail categories. Thus, while there could be the potential for store closure, the likelihood of the space remaining vacant for a prolonged period of time and leading to prolonged economic impacts is not high.

**Full Buildout Sales Base Impacts.** Sales impact analysis findings for the Project at Full Buildout were prepared in an analysis parallel to the Phase I analysis. These findings were also generated for the increment of development between Phase I and Full Buildout. These findings

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<sup>13</sup> Costco Wholesale Corp, 10-K, Filed on 10/14/15, page 4.

<sup>14</sup> [http://www.fmi.org/facts\\_figs/?fuseaction=superfact](http://www.fmi.org/facts_figs/?fuseaction=superfact)

are presented in Exhibit 29 for the increment to Full Buildout and Exhibit 30 for Full Buildout. The Full Buildout findings are also summarized in Table 13, below.

The summary findings in Table 13 indicate that by the time Full Buildout occurs, estimated to comprise 2028, more than sufficient new market area demand will be generated to absorb the Project's anticipated sales generated by market area retail consumers. There is one minor exception to this, which is the Clothing & Clothing Accessories category, with a nominal sales impact of \$46,544. This level of impact is so limited it comprises 0.0% of the market area sales base.

**Table 13. Project Sales Impacts on Existing Sales Base at Full Buildout**

<b>Retail Category</b>	<b>Total Net New Consumer Retail Sales</b>	<b>New Market Area Demand 2015 - 2028</b>	<b>Sales Impact Less New Demand</b>	<b>% Impact on Sales Base</b>	<b>Remaining Demand For Backfilling</b>
Motor Vehicle & Parts Dealers	\$3,143,726	\$30,770,182	\$0	0.0%	\$27,626,456
Home Furnishings & Appliances	\$10,211,555	\$11,500,843	\$0	0.0%	\$1,289,289
Building Materials & Garden Equipment	\$8,030,090	\$13,432,983	\$0	0.0%	\$5,402,893
Food & Beverage Stores	\$32,075,342	\$38,152,384	\$0	0.0%	\$6,077,042
Gasoline Stations	\$6,278,039	\$25,734,700	\$0	0.0%	\$19,456,661
Clothing & Clothing Accessories	\$15,850,201	\$15,803,657	\$46,544	0.0%	\$0
General Merchandise Stores	\$10,176,090	\$31,036,468	\$0	0.0%	\$20,860,377
Food Services & Drinking Places	\$11,169,630	\$28,412,138	\$0	0.0%	\$17,242,508
Other Retail Group	\$22,803,351	\$27,976,200	\$0	0.0%	\$5,172,849
<b>Total</b>	<b>\$119,738,024</b>	<b>\$222,819,555</b>	<b>\$46,544</b>	<b>0.9%</b>	<b>\$103,128,075</b>

Source: Exhibit 30.

Based on the projected level of market area demand up to 2028, the limited amount of Clothing & Clothing Accessories sales impact would likely be absorbed shortly after Project completion. Moreover, the findings suggest that over \$100 million in additional demand for retail will remain at Full Buildout, providing support for yet other retail venues as well as any retail space that might become vacated as a result of Project impacts. Such potential vacancies, however, are not deemed likely given the negligible sales impacts projected by Full Buildout.

### **DOWNTOWN PLEASANTON IMPACTS**

Based upon the preceding impacts analysis, ALH Economics believes that Downtown Pleasanton will experience very limited, if any, sales impacts associated with the Project. This assessment is attributable to several factors, including the nature of the impacts, Downtown Pleasanton's retail base and orientation, and historical precedents, especially including the development of the significant San Francisco Premium Outlets in Livermore.

Phase I Project sales impacts are most anticipated to occur in Food & Beverage Stores, Gasoline Stations, and Home Furnishings & Appliances, while Full Buildout sales impacts are isolated to just Clothing & Clothing Accessories, and for just a limited period of time. Among all these categories, only Home Furnishings & Appliances and Clothing & Clothing Accessories stores are located in Downtown Pleasanton. As these impacts are anticipated across the entire market area, which includes many other shopping areas in Pleasanton as well as Dublin, it is very unlikely the limited sales impacts in these categories will be specifically diverted from Downtown Pleasanton stores. This is especially the case because the nature of these and other goods sold in Downtown Pleasanton is generally very different from the type of goods available at a club retail store like Costco or other generic retailers that might occupy the Project's general retail

space. Further, while there may be some club retail goods overlap, the quality of goods available Downtown is typically much greater and of a broader variety than available at a club retailer. In addition, Downtown Pleasanton retailers provide services not available at a club retailer.

Downtown Pleasanton stores sell a very carefully selected mix of merchandise not typically found at other market area retailers. Downtown Pleasanton provides a unique, pedestrian-oriented shopping opportunity with a customer-friendly atmosphere. These experiences cannot be replicated at the Project. Moreover, shoppers who want the type of goods available at a club retail store already have regional opportunities for this kind of shopping. Thus, there is no motivation for Downtown shoppers to change their shopping patterns assuming the new shopping opportunities will not be significantly different from other shopping opportunities already available.

Downtown Pleasanton is quite distant from the Project site, at 4.3 miles. Shoppers who choose to shop in Downtown Pleasanton are unlikely to bundle a Downtown shopping with a Project shopping trip, further helping Downtown Pleasanton retain its existing shoppers. Finally, anecdotal information suggests that the opening of the San Francisco Premiums Outlets in Livermore, located even closer to Downtown Pleasanton than the Project site (a distance of 3.9 miles versus 4.3 miles), did not result in negative economic impacts on Downtown Pleasanton retailers. The San Francisco Premium Outlets opened as Paragon Outlets during the holiday season of 2012, and subsequently expanded in 2015. Examination of taxable retail sales data for the City of Pleasanton indicates that for all major retail categories, sales in Pleasanton were higher in 2013 than in 2012, while sales in 2012 were higher yet again than in 2011.<sup>15</sup> This suggests that in addition to the anecdotal information about Downtown Pleasanton that the City of Pleasanton as a whole did not experience any retail sales repercussions associated with this significant retail addition to the region's retail base totaling approximately 540,000 square feet initially, and then expanding by almost another 200,000 square feet. This also supports the finding that the Project's impacts on the existing retail base may be limited, given the greater size of the San Francisco Premium Outlets relative to the Project.

#### **CLUB RETAIL CASE STUDY INFORMATION**

The preceding Project Impact analysis focuses on relatively high level analysis, examining impacts on a category-specific basis. In order to gain some insight into the potential for more granular impacts, ALH Economics conducted research regarding several existing club retail stores. This included the Costco store in nearby Livermore, which opened in 1993 and added gasoline sales within the past 5 years, and stores in California developed more recently. The nearby Danville store was not included because it was developed in 1989, prior to the tenure of existing Economic Development staff, and too long ago to be of much relevancy.

The case study stores opened more recently in California included a Costco warehouse in Hayward and in Huntington Beach. These two stores comprise two of the four most recent Costco stores opened in California, among 11 that have opened since 2006. These two locations were selected for case study purposes because of their relative retail sales base comparability to Pleasanton. Most of the other cities where Costco stores have opened in California since 2006 have either much smaller sales bases (less than \$1.0 billion) or much

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<sup>15</sup> The only 2011 to 2012 exception being in the General Merchandise category, which likely has limited bearing on the Outlets given the strong apparel orientation of the Outlets.

larger sales bases (greater than \$4.5 billion). Thus, Hayward and Huntington Beach seemed well-matched to Pleasanton, especially given their recent development in 2009 and 2012, respectively. Thus, these stores have been in the market long enough to achieve stabilized operations, but are recent enough that current city staff should have familiarity with their impacts on their respective sales bases.

As noted, the Livermore Costco store opened many years ago in 1993. Accordingly, little information is available about its immediate impacts on the nearby retail base. However, Livermore's outgoing Economic Development Director, with a relatively long tenure in Livermore, indicated she was not familiar with any negative sales impacts resulting from the store, including on small businesses or Downtown Livermore. This includes no negative impacts on food stores or individual small businesses. Of particular relevance to the Project is the gas station operation that was added to this store within the past 5 years. According to the outgoing Economic Development Director, the City of Livermore has not noted any drop off in gasoline sales since Costco added this component. ALH Economics believes a large contributor to this lack of impact is the dispersed geography associated with Livermore Costco customers, as discussed previously and documented in Exhibit 14.

The Hayward Costco store is located in an industrial area of Hayward near the border of Union City. Similar to Livermore, city representatives are not aware of any existing business impacts that occurred following the opening of this Costco store, including small businesses, Downtown Hayward, existing food stores, or gas stations. Some of the lack of impacts is attributed to the store's location, which is somewhat devoid of other retail establishments.

Finally, the Huntington Beach case study information suggests that rather than impacting existing retailers negatively, the new Costco store serves as a catalyst for retail demand, bringing shoppers to an area that was previously occupied by obsolete retail uses. After Costco was developed small businesses chose to be near Costco to benefit from retail synergies. Yet there is no indication that small businesses located elsewhere in the City of Huntington Beach, including Downtown, were impacted in a negative way. This Costco store is part of a larger plan for area economic development, has served as a catalyst for other property improvements, and has added to the critical mass of retail in the area, with spin-off benefits noted for other, previously struggling retail districts.

In summary, these case study findings indicate that other communities of a similar scale to Pleasanton did not experience negative impacts on their retail community when local Costco stores were developed. This includes no reported small business community, Downtown, or gasoline station impacts. Therefore, these findings suggest the study conclusion that the Project's Phase I development could result in food store sales impacts is a conservative conclusion, not borne out by the experience in comparable cities.

## **SECONDARY IMPACTS**

In addition to sales impacts throughout the Project's market area, there will be potential for more localized secondary impacts on the businesses located in the area proposed for the Johnson Drive EDZ. One certain impact is a higher volume of traffic through the area, which is addressed in the SEIR's Transportation Impact Analysis. As this traffic occurs it may make take longer for employees and customers to travel to and from existing area businesses and traffic may become more congested. In addition, existing businesses seeking to expand at their current location might find the environment more competitive for land or building acquisition given

anticipated economic development efforts in the area and prospective new uses. However, there are also potential beneficial impacts, including the enhanced visibility and business exposure as a result of the greater volume of traffic through the area. Prospective customers can gain knowledge of the existing area businesses through repeated sightings of business signage and facilities, and the presence of existing customers. Thus, there can be positive as well as negative impacts associated with greater area traffic volume. Additional potential positive secondary impacts include the proximate availability of low cost club retail merchandise and gasoline, other shopping and eating opportunities close to work, and possible long-term property value increases associated with economic development improvements throughout the area. For example, as noted in the case studies above, Costco development served as a catalyst for economic development in Huntington Beach, and is credited with bringing shoppers to an area that was previously underutilized, and creating synergistic opportunities for business growth. The experience in Huntington Beach demonstrates there can be positive secondary impacts for existing area businesses as well as the potentially negative secondary impacts cited above.

## VII. CUMULATIVE PROJECT IMPACTS

This analysis seeks to quantify the impact of the Project taking into consideration other planned competitive retail projects within and near the market area. The cumulative projects assessed for impacts include retail developments that are in various stages of entitlement or planning. Because specific development timelines are not available for many of the projects, the analysis carefully considers each project prior to determining the set of projects most likely to be operational during the Project's approximate timeframe.

### IDENTIFIED RETAIL DEVELOPMENT PROJECTS

ALH Economics identified 12 potential cumulative retail development projects in and near the market area by reviewing development pipeline materials maintained by the cities of Pleasanton and Dublin. While nine of the 12 projects are located within the Project's market area, all of them may have some market area commonality, and thus were reviewed and considered for relevancy. Information about these projects was primarily derived from the major project documents from each city, supplemented by additional information from planning staff, project websites, the San Francisco Business Journal, and Pleasanton-Dublin area news provider, The Independent. These 12 projects are described in Exhibit 31, which includes their address, square footage, development status, anticipated completion date, and distance from the Project Site. Number references for projects in the following discussion match the numbers listed in Exhibit 31, as well as the accompanying map in Exhibit 32.

The 12 projects included in Exhibit 31 total approximately 1.3 million square feet of retail space. The projects range in size from just over 5,000 square feet up to 430,000 square feet. Some of the projects are in the preliminary stages of planning or are in the latter phases of development and therefore have an undetermined timeframe. These projects add up to 1.1 million square feet; one of these projects is the second largest project in the pipeline at 225,000 square feet, Project #8, the Boulevard/Dublin Crossing located in Dublin. Though this project has been approved for commercial space, planning staff from the City of Dublin relayed that the developer is most likely going to develop the site as residential.

ALH Economics reviewed the information on the planned projects, status, and anticipated timing, and identified the projects most likely to be developed during two timeframes concurrent with the Project, i.e., by 2018 corresponding with Phase I and by 2028, corresponding with Full Buildout, as well as unknown timing. To allow for a conservative analysis ALH Economics includes all of the projects listed on Exhibit 31. These 12 identified cumulative projects are summarized below, with more project detail included in Exhibit 31. The cumulative project locations are mapped in Exhibit 32.

- **Pacific Pearl/Staples Ranch (#1)** - This is an approved 112,000-square-foot shopping center with probable tenants including Marina Foods, King Wah restaurant, additional restaurants/quick serve, beauty/nail salons & spa services, learning/tutoring services, medical/dental, general retail, and the remaining square footage is unknown. This project is located 4.8 miles east of the Project site and anticipated to be completed in 2017;
- **Vintage Sustainable Mixed-Use Village (#2)** - This is a proposed mixed-use project with 345 apartment units and 38,781 square feet of retail. The retail tenants are unknown,



but the anchor tenant is estimated to be a small grocery or drugstore, located 4.9 miles southeast of the Project site, with potential completion in 2016;

- **CarMax (#3)** - An 11,783-square-foot auto dealership under construction, located 4.8 miles east of the Project site, estimated to be complete in 2016;
- **Essex Site 1 (#4)** - This is a mixed-use high-density residential/commercial development containing 251 residential units, 4 live/work units, and approximately 5,700 square feet of retail space under construction, located 1.8 miles east of the Project site, estimated to be complete in 2017;
- **Chick-fil-A Restaurant (#5)** - A 5,399-square-foot Chick-fil-A restaurant under construction, approximately 1.2 miles northeast of the Project site, estimated to be complete in 2016;
- **Project Cover (#6)** - This is a newly announced project that will soon be going before the City of Dublin for approval. The project includes a 339,000-square-foot IKEA store and additional pads for another 91,000 square feet of retail space and a 75-room hotel. This project, in the planning stages, is anticipated to be complete in 2018. This project is located 2.8 miles northeast of the Project site.
- **Kaiser Medical Center (#7)** - This preliminary project is a medical campus comprising a 950,000-square-foot medical facility and 250,000 square feet of commercial development built over 25 years, located 4.3 miles northeast of the Project site, with unknown timing;
- **The Boulevard/Dublin Crossing (#8)** - The EIR and Specific Plan for this site allow up to 225,000 square feet of commercial space; however, the developer is leaning toward building only residential. This site is located 3.2 northeast miles from the Project site with unknown timing;
- **Fallon Gateway (#9)** - This project is a partially complete 379,000-square-foot retail center with 140,000 square feet that has yet to be built, tenants and timing for the remaining square footage are unknown, located 5.1 miles northeast of the Project site;
- **Grafton Plaza Mixed-Use Development (#10)** - An integrated mixed-use project in review with 115 townhomes, a 122-room Aloft hotel, and a 55,000-square-foot retail center, located 4.3 miles northeast from the Project, projected to open in 2017/2018;
- **Bay West Mixed Use Project (#11)** - A small mixed-use downtown Dublin project under construction with 17,000 square feet of first floor commercial with 314 apartments above, located 2.3 miles northwest from the Project, estimated to open by 2016; and
- **Sutter Retail (#12)** - This preliminary project is a 2,600-square-foot Starbucks and a 5,400-square-foot retail shop building, located 2.6 miles northwest from the Project, timing is unknown.

Of these 12 projects, eight are anticipated to be completed by the end of 2018. The remaining four projects have unknown timing because they are either in very early planning stages or are phased projects that do not have estimated starting dates for the outstanding retail portion.

#### CUMULATIVE PROJECT MARKET AREA OVERLAP

The cumulative retail projects will compete with the Project's market area only to the extent that their market areas overlap. Exhibit 31 also shows estimates of the share of each cumulative project sales anticipated to be sourced from the same market area as the Project. These estimates are the result of generalized assumptions, based on consideration of the location of the projects, their distance from the Project site, and the anticipated nature of their retail space and likely consumer. Pursuant to individual assumptions regarding share of market area



overlap with the Project, the cumulative projects are estimated to generate approximately 492,000 square feet in retail competitive with the Project, and also generated by market area households. Following are explanations of the market area overlap assumptions for key cumulative projects.

- Vintage Sustainable Mixed-Use Village (#2), Essex Site 1 (#4), Chick-fil-A Restaurant (#5), Bay West Mixed Use Project (#11), and Sutter Retail (#12) are anticipated to have much smaller, localized market areas than the Johnson Drive EDZ Project. Large portions of these cumulative projects' market areas are estimated to be subsumed within the Johnson Drive EDZ Project's market area and are estimated to have a 95% overlap of market area sales with the Project.
- The Boulevard/Dublin Crossing (#8), Fallon Gateway (#9), and Grafton Plaza Mixed-Use Development (#10) are estimated to have a different market area than the Project, extending north and east of areas encompassed by the Project's market area. Therefore, these projects are estimated to have a 66% overlap with the Project's market area.
- Pacific Pearl/Staples Ranch (#1) and Kaiser Medical Center (#7) are estimated to have large and different market areas than the Project, extending beyond the north and east of areas encompassed by the Project's market area. Therefore, these projects are estimated to have a 50% overlap with the Project's market area.
- CarMax (#3) is estimated to have a specialized market area, focused on serving the needs of consumers seeking to purchase cars. Thus, the analysis assumes only approximately 25% of the sales at this project will be generated by Johnson Drive EDZ Project market area residents.
- Project Clover (#6) is estimated to have only a 10% overlap with the Project's market area. This low overlap is attributable to the tremendous market draw experienced by Ikea. This store will be only the third Ikea store in the Bay Area region, and will likely draw customers from a broader area to the north, east, and west of the Project site. There may also be the potential to draw from the south as well, but many of these consumers may live closer to the existing Ikea store in Palo Alto.

As with the demand projections, the timeframes for anticipated development are presented consistent with the anticipated timeframe for the Project and other major retail development in Pleasanton and Dublin, i.e., 2018 and 2028.

## **CUMULATIVE PROJECT IMPACTS**

### **Cumulative Project Supply**

As noted in Exhibit 31, there are eight projects identified in Pleasanton and Dublin with prospective retail development by the years 2018 and 2028 and four with unknown timeframes, as some of these projects are further along in the conceptualization process than others. A summary of the market area cumulative retail projects is presented in Exhibit 33. This summary indicates that the cities of Pleasanton and Dublin have a total estimate of 4917,623 square feet of competitive prospective retail development planned excluding the Project (i.e., square footage anticipated to require support by the Project's market area). ALH Economics applied a 5% vacancy rate assumption to the square footage, which means an estimate of 95% of the total retail space is occupied (this is the same as the assumption for the Project).

Per the benchmark periods associated with the Project, an estimated 173,321 square feet of occupied competitive retail project space are anticipated to be complete by 2018. Between 2018 and 2028 the estimated timing for Full Buildout, there are no cumulative projects confirmed to have development completion estimates. There is 293,721 total square feet of estimated occupied development with unknown timing; however, a portion of this square footage may be developed between those years. This brings the total competitive square footage estimate to 467,042 square feet for the market area and surrounding areas. Notably, these figures include The Boulevard/Dublin Cross project in Dublin, which City of Dublin representatives suggest may convert to an all residential project.

### **Future Market Area Demand**

Prospective tenants and tenant mixes are not known for many of the cumulative projects. Therefore, the impacts of the cumulative supply are best assessed relative to prospective demand. Thus, the market area's demand for retail space between 2015 and 2028 is converted to supportable retail space to facilitate a space-based supply and demand analysis. This conversion is documented in Exhibit 34, which incorporates estimated demand, estimated sales performance per square foot, an increment of space for personal and business services, and a modest vacancy allocation to allow for market fluidity.

The results of the supportable demand analysis indicate that new market area retail shoppers are estimated to have the ability to support 120,000 square feet of new retail space by 2018, another 390,000 square feet by Project buildout, for a total of 510,000 square feet by Full Buildout, i.e., between 2015 and 2028.

### **Cumulative Projects Impact**

The supply and demand analyses relevant to analysis of the cumulative retail (including the Project) are consolidated and summarized in Exhibit 35. This exhibit pulls together the retail supply figures for the Project and the identified cumulative retail projects by the time periods relevant to the timing of the Project's retail development (based upon occupied competitive square feet). The exhibit also pulls together the market area demand estimates presented as supportable square feet. Table 14 below summarizes the findings of Exhibit 35. This analysis includes sensitivity analysis for the cumulative project that is deemed unlikely to be developed (e.g., the 225,000-square-foot The Boulevard/Dublin Crossing project in Dublin, about which City of Dublin representatives suggest may convert to an all residential project).

The cumulative retail analysis results indicate that based on the projects with estimated completion dates consistent with the Project's Phase I development, there will be a projected shortfall of 111,200 square feet of market area demand to support the cumulative projects. This is a nominal amount of shortfall based upon the current size of the combined retail base in Pleasanton and Dublin, which comprises 9.2 million square feet.<sup>16</sup> If this 111,200-square-foot increment of retail space became vacant as a result of the cumulative projects (possibly including the Phase I Project grocery store impacts referenced in Project impacts), the current retail base vacancy rate would increase by 1.2%. This retail vacancy increment is very low, and would comprise an insignificant impact on the market area's retail base.

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<sup>16</sup> See subsequent Exhibits 43 and 44 for estimates of the Pleasanton and Dublin retail inventories.

**Table 14. Cumulative Impacts of Johnson Drive EDZ and Cumulative Retail Projects**

Supply and Demand Characteristic	Retail Development Timing			Total
	2018	2028	Unknown	
<b>Johnson Drive EDZ and Cumulative Project Additions to Supply (1)</b>	231,200	371,068	180,861	551,929
<b>Cumulative Retail Demand</b>	120,000	510,000	NA	510,000
<b>Additional Demand Needed to Support New Supply</b>				
Projects with Estimated Timing	111,200	0	NA	267,649
Less Unlikely Projects	111,200	0	NA	154,789
<b>Resulting Increase in Combined Pleasanton/Dublin Retail Vacancy Rate</b>				
Projects with Estimated Timing	1.2%	0.0%	NA	2.9%
Less Unlikely Projects	1.2%	0.0%	NA	1.7%

Source: Exhibit 35.

(1) Includes retail space anticipated to attract demand from the market area.

By the time Project Full Buildout occurs, there will continue to be insufficient new market area demand to absorb all the cumulative projects with known development timeframes. Similar to the Phase I timing analysis, however, this insufficient demand is estimated to be relatively low. Inclusive of the cumulative project anticipated to be unlikely to be developed as retail, this demand shortfall comprises an estimated 267,650 square feet. Excluding the unlikely development project reduces this figure to 154,800 square feet. Thus, the market area retail base vacancy rate is estimated to increase by 1.7% to 2.9% by Full Buildout pursuant to the cumulative retail development.

The degree to which these percentage increases will be significant to the market will depend upon the prevailing market conditions at the time of Full Buildout. While these conditions cannot be predicted, current conditions suggest that the projected increases in vacancy attributable to the cumulative projects at Full Buildout will not be detrimental to the commercial retail market, and that the market would continue to operate within healthy parameters. This is also the case taking into consideration historical retail vacancy trends, as discussed in the study chapter addressing urban decay (see Chapter IX. CEQA Urban Decay Determination). Therefore, ALH Economics concludes that the cumulative projects, inclusive of the Johnson Drive EDZ Project, are unlikely to result in negative impacts contributing to the potential for urban decay to occur in the market area.

## VIII. HOTEL ANALYSIS

### CONTEXT FOR JOHNSON DRIVE EDZ PLANNED HOTEL

The Johnson Drive EDZ has the potential for a 150- to 231-room hotel. There are 15 existing hotels in Pleasanton and Dublin that participate in hotel industry surveys, with a total of 2,297 rooms.<sup>17</sup> The Project's hotel would increase the existing rooms supply by 6% to 9%. The nearest hotel to the Johnson Drive EDZ Project site is located on Johnson Drive, approximately 0.5 miles away. This is an upscale hotel, with one of the three highest room rates in the Pleasanton and Dublin area, with all other hotels located over 1.0 miles away (see Exhibit 36). The distribution of the hotels is mapped in Exhibit 37.

The fiscal impact analysis conducted for the entire Johnson Drive EDZ in February 2015 assumed the area's hotel would comprise a limited-service hotel.<sup>18</sup> The study assumed there would be sufficient demand for the hotel from business and resident demand segments and priced the hotel for analytical purposes at \$125 a night with an average occupancy rate of 75%.<sup>19</sup> For the purpose of this study the City of Pleasanton assumes the Project's hotel may have a more full-service orientation, with a potential focus on serving business travelers.

ALH Economics conducted analysis of hotel demand relevant to the Project's potential hotel. The analysis is based upon growing out the met demand at existing Pleasanton and Dublin hotels pursuant to employment growth projections, assuming economic growth is a relative generator of demand. Because a CEQA urban decay analysis must also look at cumulative impacts, there is additional analysis comparing the projected demand for hotel rooms in Pleasanton and Dublin to the supply of other planned hotels. This study chapter closes with an assessment of the Project's potential impact on existing hotels and hence the existing physical hotel stock.

### BASELINE HOTEL CONDITIONS

#### Existing Supply of Pleasanton and Dublin Hotels

The 15 existing hotels in Pleasanton and Dublin were identified through internet research and review of a list of hotels maintained by Smith Travel Research, a company that tracks supply and demand data for the hotel industry and provides market share analysis. ALH Economics reviewed a list of hotels throughout the Tri-Valley area that participate in Smith Travel Research's trend analysis, which includes operating trends such as rooms, average daily room rate, demand, supply (measured by rooms available per period), and revenue, among other characteristics. ALH Economics then researched room rates for the listed hotels. From the larger set of Tri Valley hotels ALH Economics determined that hotels in Pleasanton and Dublin were

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<sup>17</sup> Includes hotels that participate in trend analysis conducted by Smith Travel Research. Therefore, not all hotels are included. For example, the inventory does not include downtown Pleasanton's Rose Hotel with 38 rooms (considered an Upper Upscale Class hotel by Smith Travel Research) or the Pleasanton's Tri Valley Inn & Suites Economy Class hotel on Santa Rita Road with 34 rooms.

<sup>18</sup> "Draft Summary – Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton," February 5, 2015, Brion & Associates, page 2.

<sup>19</sup> Ibid, page 2 and Table A-5.

most relevant to the market best served by the Project's hotel given its location and local economic dynamics.

Smith Travel Research classifies the existing Pleasanton and Dublin hotels into five classes of hotel, including economy, midscale, upper midscale, upscale, and upper upscale. Overall there are 2,297 rooms distributed among the 15 hotels (see Exhibit 36). Approximately 75% of the hotels are located in Pleasanton, with 25% in Dublin. The room count generally parallels these percentages. Among the hotels with known opening dates, approximately half opened prior to the 1990s, another six opened in the 1990s, and the newest hotel, the economy class Extended Stay America Dublin Hacienda Drive opened in 2000. The upscale hotels were built in the 1980s and 1990s, with the most expensive hotel, the Marriot Pleasanton, built in 1986. Notably, no new hotels have been added to this market since 2000, comprising a 16-year gap. This is the longest gap in the area's rate of hotel development.

ALH Economics conducted field reconnaissance in February 2016 to examine the physical condition of the existing hotels. All of the existing hotels were found to be in good general repair, with attractive physical conditions and no signs of urban decay or deterioration, such as litter, graffiti, weeds or rubbish. Photographs demonstrating existing conditions for all of the identified hotel properties are maintained in the ALH Economics project files.

### **Historic and Current Hotel Performance**

Smith Travel Research provided a summary report of the performance of the 15 existing competitive hotels. This included aggregate performance data from 2009 through 2015. These data are presented in Exhibit 38. As noted in this exhibit, the average number of rooms available per year changed nominally over time, dropping from 2,312 in 2009 to 2,297 in 2015. The number of rooms sometimes changed on a monthly basis, hence the minor vacillation by year.

The Smith Travel research data also include a supply estimate, which reflects the summation of the number of rooms available per month times the number of days in the period. This is effectively a measure of the number of room nights available among the competitive supply throughout the year. Thus, in 2015, there were a total of 838,405 room nights available among the 15 hotels.

Smith Travel Research also measures demand, which is based on occupancy reported by the participating hotels. As the data in Exhibit 38 indicate, annual demand rose consistent from 2009 onward, despite the tail end of the Great Recession. This increasing demand corresponds with increasing annual occupancy rates, which changed from a low of 56% in 2009 to 81% in 2015. This 81% occupancy rate comprises the baseline for analysis of the Project. Notably, however, a hotel occupancy rate of 75% is generally considered an industry standard stabilized occupancy rate. Further, this is the rate assumed in the Brion & Associates fiscal impact study.

Over the 2009 through 2015 time period, the rate of increase in demand was lumpy, with a significant 16.5% increase from 2009 to 2010, slowing to a nominal 0.4% rate from 2013 to 2014 from 2011 to 2012, but then increasing thereafter, including an 11% increase from 2013 to 2014. Overall, hotel demand grew on annual average of 6.3% percent since 2009, and a slightly lower 4.3% from 2010 onward. These data clearly indicate that hotel demand in Pleasanton and Dublin is trending upward. Since the number of rooms effectively stayed

relatively constant from 2000 onward, the increasing demand also translated into higher occupancy rates.

## PROJECT HOTEL AND CUMULATIVE HOTEL IMPACTS

### Projected Hotel Demand

ALH Economics developed projections for hotel demand applicable to the existing supply based upon an economic growth projection range. The purpose of these projections was to prepare estimates of aggregate hotel occupancy rates following the Project's addition to the supply. The premise is that if hotel occupancy drops below a level considered unhealthy for the hospitality industry, then there could be some negative impacts on the market, which could raise concerns about the Project contributing to prolonged economic impacts and urban decay. Alternatively, if hotel occupancy rates are estimated to remain the same as the current baseline, or improve, then the Project would not be expected to contribute to urban decay.

ALH Economics updated the supply of existing hotel rooms to include the Project's hotel entering the market in 2018, comprising part of the Project's Phase I development. The analysis was conducted using two hotel size options – 150 rooms and 231 rooms. Thus, Project introduction would increase the supply of rooms to 2,528 for Option 1 (150 rooms) and the annual supply of room nights to 893,155. For Option 2 (231 rooms) the supply of rooms would increase to 2,528 and the annual supply of room nights to 922,720. Information about the changed number of rooms and annual supply of rooms is reflected in Exhibit 39, which projects future hotel supply and demand trends. The projection is extended to 2028 to depict projected supply and demand conditions consistent with Project buildout.

ALH Economics prepared a demand trend based upon blended employment growth trends for Pleasanton and Dublin. These trends are presented in Exhibit 40, and summarized in Table 15, and reflect a 2.1% employment growth rate from 2015-2020 and 0.6% growth rate from 2020 to 2030. These growth trends are based upon Association of Bay Area Government's employment projections, prepared in 2013.

**Table 15. Projected Annual Growth Rate  
Cities of Pleasanton and Dublin**

Period	Compound Annual Growth Rate		
	Pleasanton	Dublin	Total
2015-2020	1.5%	3.9%	2.1%
2020-2025	0.4%	1.2%	0.6%
2025-2030	0.4%	1.3%	0.6%

Source: Exhibit 40.

### Johnson Drive EDZ Hotel Impact

The projected annual estimated occupancy rates by year are also depicted in Exhibit 39, and summarized in Table 16 on the following page. As these figures indicate, by 2018, the Project's estimated year of market entry, annual average occupancy among the existing hotels, including the Project, is estimated to range from 79% to 81%, depending upon the Project's room count.

This range is projected to increase to 85% to 88% by 2028, the Project's assumed buildout year. The projected rate in 2018 for the Option 2 hotel with 230 rooms of 79% is below the 2015 stabilized rate. However, this projected rate continues to be above the industry standard stabilized rate. The buildout year 2028 rates reflect enhanced market performance relative to the baseline rate of 81% in 2015.

**Table 16. Historic and Projected Occupancy  
Pleasanton/Dublin Hotels and Project**

Year	Annual Occupancy (1)	
	Option 1	Option 2
2009		56%
2010		66%
2011		71%
2012		74%
2013		77%
2014		77%
2015		81%
2016		83%
2017		85%
2018	81%	to 79%
2019	83%	to 81%
2020	84%	to 81%
2021	84%	to 82%
2022	85%	to 82%
2023	85%	to 83%
2024	86%	to 83%
2025	86%	to 84%
2026	87%	to 84%
2027	88%	to 85%
2028	88%	to 85%

Sources: Exhibits 38 and 39.

Note: Projected occupancy below the dotted line.

(1) Option 1 reflects 150 rooms and Option 2 reflects 231 rooms in the Project hotel.

The analysis indicates that hotel occupancy rates initially following the assumed market entry of the Project's hotel are projected to be comparable to the high occupancy rate noted in 2015, or slightly below this rate but still above the industry standard stabilized 75% occupancy rate. Occupancy is only projected to increase thereafter, including the occupancy rate for the larger Option 2 hotel returning to the 2015 level by 2021, or three years following introduction of the Project hotel. Based on this finding, ALH Economics concludes that the Project's hotel operations are not anticipated to reduce or impact hotel occupancy to the extent that any hotels would significantly falter and operations would cease. Thus, no existing hotels are anticipated to close as a result of the Project's development and operations. Moreover, the occupancy impacts are relatively minor and short-term, with occupancy rates continually increasing each year after the assumed opening of the Project.

## Cumulative Hotel Impacts

To conduct a cumulative analysis ALH Economics researched information about other planned hotel projects in Pleasanton and Dublin. The research findings about the planned supply are presented in Exhibit 41. These results provide information on two planned Dublin hotel projects, comprising a 122-room Aloft Hotel at Grafton Plaza and a 75-room hotel at Project Clover accompanying the anticipated IKEA store. As of February 2016 the Aloft Hotel project was in Planning review with the City of Dublin, and was expected to be heard by the Dublin Planning Commission in February or March 2016. Based upon the project's entitlements status ALH Economics assumes the hotel could open as soon as 2017 or 2018, either just prior to or relatively concurrent with the Project. The review date for the Project Clover hotel is not known but the project as a whole is anticipated to be completed by sometime in 2018.

Similar to the analysis for just the Project, ALH Economics prepared a future projection of hotel supply and demand and then examined the occupancy impacts pursuant to the addition of the planned Grafton Plaza hotel project. This analysis is presented in Exhibit 42 and summarized in Table 17. For analytic purposes, the Aloft Hotel was conservatively added into the supply in 2017, the Project Clover hotel was added in 2018, and the Project hotel continues to be added to supply in 2018.

**Table 17. Historic and Projected Occupancy  
Pleasanton/Dublin Hotels and Cumulative Projects**

Year	Annual Occupancy (1)	
	Option 1	Option 2
2009		56%
2010		66%
2011		71%
2012		74%
2013		77%
2014		77%
2015		81%
2016		83%
2017		81%
2018	75%	to 73%
2019	77%	to 75%
2020	77%	to 75%
2021	78%	to 76%
2022	78%	to 76%
2023	79%	to 77%
2024	79%	to 77%
2025	80%	to 78%
2026	80%	to 78%
2027	81%	to 79%
2028	82%	to 79%

Sources: Exhibits 38 and 42.

Note: Projected occupancy below the dotted line.

(1) Option 1 reflects 150 rooms and Option 2 reflects 231 rooms in the Project hotel.



The near term results after the addition of the new Grafton Plaza hotel in 2017 indicates that hotel occupancy is projected to decrease to 81%, comprising stability with the 81% rate noted in 2015. When the Project Clover and Johnson Drive EDZ hotels are further added to supply in 2018 the occupancy rate is projected to decrease to 73% to 75%, depending upon the Project hotel option. These projected rates are close to or above industry standard levels, and exceed levels achieved by the market as recently as 2011 and 2012. Occupancy rates are then projected to recover thereafter, reaching up to 80% by 2025 for the Project's lower room count Option 1 and 78% for the higher room count Option 2. Regardless of option, the results indicate that hotel occupancy in the Pleasanton and Dublin market is generally anticipated to remain close to or above 75% following the cumulative impacts of the planned Grafton Plaza hotel, Project Clover hotel, and the Project. Thus, market performance is anticipated to remain close to or above industry standard levels reflective of a healthy hotel market.

#### **JOHNSON DRIVE EDZ PROJECT AND CUMULATIVE HOTEL PROJECTS IMPACTS CONCLUSION**

The preceding analysis for the Project hotel indicates that occupancy impacts on the existing base of hotels will likely be limited, and that existing hotels will continue to be able to perform close to or above the industry standard occupancy rate of 75%. This finding also pertains to the cumulative impact scenario including the addition of a 122-room hotel in Dublin one year prior to the Project's assumed development and a 75-room hotel the same year as the Project's hotel. Based on these findings, ALH Economics concludes that existing hotels will not be impacted by the Project, individually or cumulatively, to the point that hotel closure is a potential risk. The CEQA urban decay implications of this finding are presented in the following chapter, Chapter IX. CEQA Urban Decay Determination.

## IX. CEQA URBAN DECAY DETERMINATION

The purpose of this chapter is to assess the degree to which development of the Johnson Drive EDZ Project would or would not contribute to or cause urban decay pursuant to the economic impact analysis findings. This includes impacts associated with the Project combined with other cumulative planned retail and hotel development. This chapter discusses the definition of urban decay, the study's approach to determining urban decay potential, and ALH Economics' urban decay determination.

### STUDY DEFINITION OF URBAN DECAY

For the purpose of this analysis, urban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long term vacancies. This physical deterioration<sup>20</sup> to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community.

### APPROACH TO DETERMINING URBAN DECAY POTENTIAL

ALH Economics engaged in several tasks to assess the probability of urban decay ensuing from Project development and the identified cumulative projects. These tasks directly result from the economic impact analysis findings regarding potential store impacts pursuant to prospective store sales losses. As a result, the urban decay determination revolved around assessing the potential for closed retail store spaces, if any, to either (a) remain vacant for a prolonged period of time such that they contribute to the multitude of causes that could eventually lead to urban decay, or (b) be leased to other retailers within a reasonable marketing period. Similar considerations were made regarding prospective hotel development as well.

The purpose of this research was to determine if sufficient retailer demand exists to absorb vacated space in the event existing retailers close due to any negative economic impacts of the Project and the development of other planned retail, as well as parallel hotel analysis. An additional purpose was to assess the potential for long-term vacancies to devolve into urban decay. ALH Economics conducted field research and reviewed third party resources to determine the commercial health of the market area.

### THE CURRENT ENVIRONMENT

ALH Economics conducted fieldwork throughout portions of the City of Pleasanton and Dublin. The purpose of this fieldwork was to perform reconnaissance of the Project site, examine the physical condition of major shopping centers, commercial shopping corridors, and hotels, and identify existing retail vacancies and assess their condition and appearance. These personal observations are complemented by historical and current retail and hotel market performance

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<sup>20</sup> The manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, graffiti, and other building defacement, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, homeless encampments, and unsightly and dilapidated fencing.

data, demonstrating the underlying strength or weakness of the local commercial retail and lodging markets.

### **Retail Market Statistics**

Historically, Pleasanton has maintained a healthy retail market sector, while Dublin has experienced more fluctuations. Historical trend data in Exhibits 43 and 44 present quarterly vacancy, absorption, and new construction trends in Pleasanton and Dublin, respectively, beginning 2<sup>nd</sup> quarter 2006. Select 4<sup>th</sup> quarter 2015 market statistics are summarized in Table 18. This table indicates that the retail inventory totals 5.2 million square feet in Pleasanton and a smaller 4.0 million square feet in Dublin.

As summarized in Table 18, as of 4<sup>th</sup> quarter 2015, Pleasanton had an overall retail vacancy rate of 2.3%. This rate comprises a relative low in recent years, since hitting a peak of 6.0% in 4<sup>th</sup> quarter 2012. Prior to that time period the Pleasanton vacancy rate was as low as 1.4% in 1<sup>st</sup> quarter 2007, which is an exceedingly low vacancy rate. All of these rates, however, indicate an extremely healthy and very stable retail base throughout the city.

In general, retail markets are deemed most healthy when there is some increment of vacancy, at least 5.0%, which allows for market fluidity and growth of existing retailers. Even retail vacancy rates at the 10.0% level are generally considered a reasonably healthy retail market. Thus, the current Pleasanton retail vacancy rate of 2.3% is a very low vacancy rate and indicative of a very strong market.

**Table 18. Fourth Quarter 2015 Retail Vacancy and Inventory  
Pleasanton and Dublin**

City	Vacancy Rate	Retail Inventory	Vacant Sq. Ft.
Pleasanton	2.3%	5,219,542	128,286
Dublin	5.9%	3,986,959	211,861

Sources: Exhibits 43 and 44.

The retail market in Dublin is not as strong as in Pleasanton, but is still operating within healthy parameters. As shown in Exhibit 44, Dublin retail vacancy peaked at 14.7% in the 3<sup>rd</sup> quarter of 2009, but dropped by 2011 to below 10.0%. Since then, vacancy was lowest in 1<sup>st</sup> quarter 2015, at 3.9%, which is an extremely low vacancy rate. The vacancy rate as of 4<sup>th</sup> quarter 2015 was slightly higher at 5.9%, but still relatively low by commercial market standards.

Generally speaking, the 2.3% vacancy rate in Pleasanton and 5.9% vacancy rate in Dublin are indicative of strong to moderate retail markets. This bodes well for the market area with respect to any potential increases in vacancy attributable to potential Project or cumulative project impacts resulting in store closures.

### **Representative Retail Lease Transactions**

Table 19 demonstrates that retail vacancies in Pleasanton and Dublin are finding new tenants. This table summarizes 35 lease transaction in Pleasanton and 44 in Dublin for previously occupied spaces that occurred over the one-year time frame generally from late January 2014 to late January 2015.

In Pleasanton these lease transactions totaled approximately 72,311 square feet of leased space with a relatively small average of 2,066 square feet. The largest lease transaction during this timeframe was 9,694 square feet for Max Muscle Sports Nutrition (the former Iron Horse Nutrition under new ownership). Other lease transactions in Pleasanton during this timeframe included 6,124 square feet for Inklings Coffee & Tea Bar, 2,410 square feet for a fitness facility, 2,500 square feet for Mongolian BBQ, and 1,400 square feet for Academic Plus, a tutoring center.

**Table 19. Pleasanton and Dublin Retail Lease Transactions  
1/22/15 - 1/22/16**

Type	Number of Leases	Total Sq. Ft.	Largest Space	Average Sq. Ft.
Pleasanton	35	72,311	9,694	2,066
Dublin	44	140,267	19,500	3,188

Sources: CoStar; and ALH Urban & Regional Economics.

Over the cited time period there was a greater volume of leasing activity in Dublin, in some part reflecting the higher vacancy rate and thus great supply of available retail spaces. The 44 lease transactions in Dublin totaled 140,267 square feet, with the largest fill vacancy totaling 19,500 square feet occupied by Home Goods. Other representative lease transactions over the time period included 7,200 square feet for Ethan Allen, 5,949 square feet for Sur La Table, and 5,000 square feet for a Pilates studio. There were yet numerous other smaller retail lease transactions, reflected in the overall average lease transaction size of 3,188 square feet.

This strong lease transaction information, paired with the each city's low retail vacancy rate, indicates that Pleasanton and Dublin are attractive retail markets.

### Existing Vacancies

ALH Economics conducted fieldwork in Pleasanton and Dublin to assess the condition of existing retail vacancies. A selection of properties was viewed representing a range of vacancies from small to large. As a fieldwork guide ALH Economics assembled a list of existing retail vacancies, which is presented in Exhibit 45. All the properties included on this list highlighted in bold italics were photographed in February 2016 as part of the fieldwork process. These photographs, which demonstrate existing vacant retail conditions, are maintained in the ALH Economics project files along with descriptive notes on each property.

In general, the observed properties all indicate that existing market area vacancies are very well maintained, with no visible signs of urban decay or deterioration. Pleasanton and Dublin contain many small neighborhood-serving retail centers as well as larger community-oriented retail options. Some of these centers are over 30 years of age. Despite their age, these centers have low vacancy rates and are generally well maintained. This includes Mission Plaza, which contains only one small vacancy that is actively being marketed. Some retail centers have been remodeled or rehabilitated in recent years. This includes the Vintage Hills Plaza, which is anchored by a New Leaf Market, and Shamrock Village, which is currently being remodeled.

Many of the centers have no visible vacancies. The Pleasanton Square Shopping Center and Meadow Plaza, amongst others, are 100% occupied. For those centers not 100% occupied, the

properties are well maintained and most vacancies are actively being marketed. An example is at 2803 Hopyard Road, a former Straw Hat Pizza, which is actively being marketed. This property is adjacent to other retail options that are characterized by very low retail vacancy rates. Rose Pavilion, a larger community-oriented retail center in Pleasanton, contains three medium to larger vacancies. Within this center, CVS relocated to a new site within the center, Ethan Allen moved to the newly constructed Persimmon Place in Dublin, and Fresh and Easy Market closed all stores in California. All three of these vacant retail spaces are well maintained and located adjacent to active retail options within the shopping center. During fieldwork observation the center had heavy shopping volume because of the Macy's Furniture store, Ranch 99 Market, and other retail options. Moreover, while vacant for several years, the CVS space, which is owned by CVS, has recently been acquired by the shopping center's owner.

A few of the observed shopping center parking lots show some signs of minor cracking of the pavement. This included Gateway Square and Val Vista Center. This cracking is largely normal wear and tear and minor cracking of pavement is common with older shopping centers. Both centers did not exhibit signs of decay and Val Vista Center is 100% occupied. Some of the older centers are poorly oriented relative to the street, which is not favorable. This includes Valley Plaza; however, despite this center's poor orientation, only two retail vacancies were observed, one which appears to be backfilled by a new Thai restaurant.

The Project's market area is characterized by very few long-term vacancies. One such vacancy is the former Borders bookstore space at Metro 580. This approximately 30,000-square-foot space was vacated in 2011 when Borders went bankrupt. Numerous prospective users negotiated over the space over the years, and reports are that Party City will be relocating to the space soon, opening in early 2016. This will entail Party City's relocation from Dublin. Despite this long-term vacancy, this property has been well-maintained over the years. Since the pool of demand is smaller for larger tenant spaces such as the former Borders bookstore space these spaces can often remain vacant longer than small shop spaces with a great pool of tenant demand. Moreover, negotiations and tenant improvements can also be time consuming for these larger tenant spaces. Thus, longer-term vacancies are not necessarily an indicator of poor commercial market health, and property owners are motivated to maintain the properties in good physical condition to maximize potential tenant interest.

One indicator of urban decay is chronic trash and litter. A small amount of trash was observed in the parking lot of the former Denny's restaurant at 6455 Owens Drive. However, the trash appeared to be mostly fast food containers due to the proximity to nearby fast food restaurants and did not appear to be a chronic problem. Overall, the Pleasanton and Dublin vacancies were found to be well maintained with no visible signs of urban decay, especially with regard to boarded up windows, graffiti, or visible signs of trash.

### **Retail Backfilling Examples**

As demonstration of the potential for backfilling of retail vacancies, including any vacancies that might result from project or cumulative project's sales impacts, ALH Economics compiled a list of examples of backfilled tenants, with a focus on larger tenant spaces backfilled in Pleasanton. The above discussion regarding retail lease transactions demonstrates the ability for smaller retail spaces to be backfilled in the market area.

The representative list of larger backfilled retail vacancies, presented in Exhibit 46, includes 5 examples of backfilled tenant spaces, comprising 136,500 square feet of space. This includes the above-referenced Borders bookstore space. The average space cited totals approximately 27,300 square feet, and period of vacancy for the properties ranged from approximately 1 year to up to 5 years for the Borders space. The distance of these properties from the Project site range from 1.2 miles to 3.8 miles.

The quantity of good-sized retail backfill examples in just Pleasanton is a very strong indicator of the reuse potential of larger retail spaces and the attraction of the market area. The information in Exhibit 46 identifies the current tenant and the prior tenant. Other examples beyond the Borders/Party City transition include CompUSA's closure in 2006 and subsequent backfilling of approximately 17,500 square feet by Smart & Final. The 2010 closure of Nob Hill Grocery's 30,000-square-foot store was later backfilled by Walmart Neighborhood Market. Another example of a new large grocery store tenant includes 99 Ranch Market taking over the 45,000 square feet vacated by Levitz Furniture in 2008 after a two-year vacancy. Finally, in 2011 Fresh & Easy took over an approximate 10,000-square-foot space after Fitness Express closed in 2010. After Fresh & Easy vacated the California market this space again became vacant in 2015; however, Fresh & Easy continues to hold the lease for the space, and thus it is not currently available to the market.

These backfilled retail space examples demonstrate that the market has the ability to backfill retail vacancies, including former grocery store space as well as larger spaces. This is in addition to the high demand demonstrated for smaller retail spaces as well. This information suggests that any retail vacancies that might occur in the Project's market area as a result of Project or cumulative project impacts will be well-maintained during any period of vacancy and will not contribute to conditions of urban decay or deterioration.

## **REGULATORY CONTROLS**

Owners of commercial retail properties are generally financially motivated to maintain property in a manner appropriate to retain existing tenants and attract new retail tenants. This appears to be the case in the Project's market area as evidenced by the overall positive prevailing physical condition of the market area's retail vacancy. If property owners lag, however, and property maintenance begins to show signs of deferred maintenance or other disrepair, both of the market area cities have regulatory controls that can be implemented to avoid the onset of deterioration or decay. A review of these regulations by market area city follows.

### **City of Pleasanton**

City ordinances such as the City of Pleasanton Municipal Code of Ordinances Chapter 9.08 on Litter, Chapter 9.20 on Garbage, Chapter 9.28 on Property Maintenance, Chapter 9.34 on Graffiti Abatement, Chapter 11.44 on Removal of Vehicles from Private Property, and Chapter 20.65 on International Property Maintenance Code require property owners to maintain their properties so as not to create a nuisance by creating a condition that reduces property values and promotes blight and neighborhood deterioration.<sup>21</sup> Chapter 9.28.020 on Unlawful Property Maintenance covers many property nuisances such as, but not limited to, "broken or discarded furniture, household equipment and furnishings or shopping carts when visible from a public street," "Overgrown vegetation visible from a public street likely to harbor rats, vermin

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<sup>21</sup> City of Pleasanton, "Municipal Code," <http://qcode.us/codes/pleasanton/> (accessed January 2016).

or other nuisances or which obstructs the view of drivers on public streets or private driveways, or which impedes, obstructs or denies pedestrian or other lawful travel on sidewalks, walkways, or other public rights-of-way," "Packing boxes, cardboard boxes, lumber, junk, trash, barrels, drums, salvage materials, or other debris kept on the property for an unreasonable period and visible from a public street," "Buildings which are abandoned, partially destroyed, left in an unreasonable state of partial construction or have been declared substandard or dangerous by the building official," "Buildings with windows containing broken glass or no glass at all, where the window is of a type which normally contains glass, which constitutes a hazard and/or invites trespassers and malicious mischief. Plywood or other material used to cover such window space, if permitted under this code, shall be painted in a color or colors compatible with the remainder of the building," "Building exteriors, walls, fences, driveways, sidewalks, or walkways which are maintained in defective or unsightly condition," and "Maintenance of property out of harmony or conformity with the standards of the neighborhood."<sup>22</sup> The enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces.

Pleasanton's Code Enforcement Division is part of the Community Development Department and comprises one Senior Code Enforcement Officer. Code enforcement within the City of Pleasanton is done on a mainly reactive basis through complaints made by the public, with obvious and dangerous enforcement done on a proactive basis.<sup>23</sup> Public complaints can be made through the City's website, through the Mobile Citizen App, and by calling the Code Enforcement Division directly. The process for abating the violation depends on the severity and hazard level of the violation. Typical violations are resolved between seven to 30 days.<sup>24</sup> When a violation occurs the property owner will receive a written notice from the city, and the owner is given a reasonable amount of time, but no less than 15 calendar days, to fix the nuisance, as well as suggested methods for correcting the violation. If nothing is done to correct the violation, an administrative hearing will be held to determine whether or not a violation has occurred. After the administrative hearing, the case will either continue on to City Council or the owner will be given a certain amount of time to correct the violation. If the owner continues to not abate the violation, the City Manager shall cause it to be abated by city employees or by private contract. The costs shall be billed to the owner, as specified in Section 9.28.13 or a lien will be placed on the property.<sup>25</sup> According to the City of Pleasanton, "over 90 percent of all reported problems are resolved on the initial contact by Code Enforcement Officers."<sup>26</sup>

In 2013 the Code Compliance Division opened 532 cases and closed 531, providing a closure rate of 99%; in 2014 561 cases were opened and 552 were resolved, resulting in a closure rate of 98%; and in 2015 517 cases were opened and 476 were resolved, with some carrying over into 2016, providing a closure rate of 99%. The majority of these cases are violations related to property maintenance, signs, encroachments, residential zoning, commercial zoning, business licenses, trailer parking, noise, garbage, and heritage trees. Code Compliance estimates that

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<sup>22</sup> City of Pleasanton, "Chapter 9.28 Unlawful Property Maintenance," <http://qcode.us/codes/pleasanton/> (accessed February 2016).

<sup>23</sup> Code Enforcement Department, Senior Code Enforcement Officer, City of Pleasanton; interview conducted January 2016.

<sup>24</sup> Ibid.

<sup>25</sup> City of Pleasanton, "Municipal Code Chapter 9.28 Property Maintenance," <http://qcode.us/codes/pleasanton/> (accessed February 2016).

<sup>26</sup> City of Pleasanton, "Code Enforcement," <http://www.cityofpleasantonca.gov/gov/depts/cd/code/default.asp> (accessed February 2016).



65% of cases relate to residential property and 35% relating to commercial property. The majority of commercial property violations comprise sign violations, construction noise violations, business licenses violations, zoning violations, conditions of approval violations, and design review violations. Graffiti violations are handled through the Police Department and given to either the Operations Service Center if located on public property or Code Enforcement if located on private property for abatement and are removed within 10 days after notification.<sup>27</sup>

## **City of Dublin**

City ordinances, such as the City of Dublin Municipal Code of Ordinances Chapter 5.32 on Solid Waste Management, Chapter 5.64 on Property Maintenance, Chapter 5.66 on Maintenance of Foreclosed Residential Properties, Chapter 5.68 on Graffiti, Chapter 5.70 on Weeds and Refuse, and Chapter 6.80 on Abatement of Abandoned Vehicles, require property owners to maintain their properties so as not to create a nuisance by creating a condition that reduces property values and promotes blight and neighborhood deterioration.<sup>28</sup> Enforcement of these ordinances can help prevent physical deterioration due to any long-term closures of retail spaces. Code enforcement in Dublin is managed by the City's Community Development Department and includes one full time Senior Code Enforcement Officer, who primarily enforces the Zoning Ordinance, Residential Property Maintenance Ordinance, Non-Residential Property Maintenance Ordinance, Graffiti Ordinance, and other relevant public nuisance ordinances on occasion. This position is assigned to the Planning Division and reports to the Assistant Community Development Director. In addition, the Building Division is responsible for the enforcement of the California building code and other related City adopted technical codes. The assigned building code enforcement officer reports directly to the Building official.

Code enforcement is done on both a pro-active and complaint basis. Community Development staff work with business owners, residents, outside agencies, and other City departments to resolve any violations. Citizens can report code violations by calling, using the online form, by U.S. mail, or in person.<sup>29</sup> Once a violation has been determined, a written notice is issued to the property owner in person or by mail and the owner is given a reasonable amount of time to abate the nuisance.<sup>30</sup> Most routine violations are resolved within two-three weeks; however, this timeframe varies based on the nature of the violation.<sup>31</sup> According to the Code Enforcement division most violations are resolved after initial contact is made; however, if violations are not corrected, "within a reasonable amount of time, there are a number of additional actions that can be taken by the City to achieve compliance including: mediation, citation, abatement, lien, and/or judicial proceedings."<sup>32</sup>

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<sup>27</sup> Code Enforcement Department, Senior Code Enforcement Officer, City of Pleasanton; interview conducted January 2016.

<sup>28</sup> City of Dublin, "Municipal Code," <http://www.codepublishing.com/CA/Dublin/> (accessed February 2016).

<sup>29</sup> City of Dublin, "Code Enforcement," <http://dublinca.gov/1635/Code-Enforcement> (accessed February 2016).

<sup>30</sup> City of Dublin, "Municipal Code," <http://www.codepublishing.com/CA/Dublin/> (accessed February 2016).

<sup>31</sup> Code Enforcement Department, Senior Code Enforcement Officer, City of Dublin; interview conducted February 2016.

<sup>32</sup> City of Dublin, "How Compliance is Achieved," <http://dublinca.gov/727/How-Compliance-is-Achieved> (accessed February 2016).



Also, according to Municipal Code Chapter 7.52.140:

If the nuisance is not abated within the time period set forth in the abatement order, the Enforcement Official may cause the nuisance to be abated by city employees or private contract in accordance with appropriate procedures applicable to the city. Absent consent to enter the subject property for the purpose of nuisance abatement, the City Manager shall direct the City Attorney to obtain the necessary judicial authority for entry and abatement purposes. All costs incurred by the city in abating the nuisance shall be chargeable to the property and shall be collected as hereinafter provided.<sup>33</sup>

According to the Senior Code Enforcement Officer the annual closure rate for violations is very high and the most common complaints include unkempt residential front yards, overgrown vegetation and weeds, litter junk debris stored in yards, and inoperable vehicles. The majority of code violation cases occur in the residential districts, comprising a three year average (2013-2015) of 64%, with 36% Commercial code enforcement cases. The majority of commercial cases involve Sign regulation, Temporary Use Permits, Conditions of Approval, and Graffiti abatement.<sup>34</sup>

## **Summary**

During the fieldwork conducted in February 2016 there were limited visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial retail nodes and corridors in the Project's market area. There appear to be isolated examples of cracked parking lot pavement and light trash, but these are not endemic throughout the market area. Instead, vacant commercial retail examined properties were reasonably well-maintained with no significant signs of decay or deterioration. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in the cities of Pleasanton and Dublin are effective and would serve to preclude the potential for urban decay and deterioration in the event any existing area retailers or hotels close following the operations of the Project and any cumulative projects.

## **POTENTIAL FOR URBAN DECAY RESULTING FROM THE PROJECT**

### **Contributing Causes to Urban Decay**

Before considering how the Project and cumulative projects might affect the market and environs, it is useful to focus on what constitutes the *environmental* impact known as urban decay. The leading court case on the subject, *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, 1204, described the phenomenon as "a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake." The court also discussed prior case law that addressed the potential for large retail projects to cause "physical deterioration of [a] downtown area" or "a general deterioration of [a] downtown area." (Id. at pp. 1206, 1207).

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33 City of Dublin, "Municipal Code," <http://www.codepublishing.com/CA/Dublin/> (accessed February 2016).

34 Code Enforcement Department, Senior Code Enforcement Officer, City of Dublin; interview conducted February 2016.

When looking at the phenomenon of urban decay, it is also helpful to note economic impacts that do not constitute urban decay. For example, a vacant building is not urban decay, even if the building were to be vacant over a relatively long time. Similarly, even a number of empty storefronts would not constitute urban decay. Based on the preceding descriptions regarding urban decay, therefore, ALH Economics' analysis examined whether there was sufficient market demand to support the Project without affecting existing retailers so severely such as to lead to a downward spiral toward decay of the commercial real estate market.

### **Project and Cumulative Project Vacancy Impacts**

The preceding analysis indicated that Phase I development of the Project could result in the closure of an existing grocery store, with the level of sales impact equivalent to approximately 36,000 square feet of food store space. By the time of Full Buildout there are only negligible sales impacts, anticipated to contribute to no store closures. The cumulative projects analysis indicates the potential for up to 111,200 square feet of unmet demand by Phase I, increasing to approximately 154,800 to 267,650 square feet by Full Buildout anticipated in 2028.

Given the size of the combined Pleasanton and Dublin retail base, it would take about 92,500 square feet of incremental vacancy to increase the vacancy rate by 1.0%. Thus, the prospective Phase I Project or cumulative project impacts would raise the combined area vacancy rate by just over 1.0%. The cumulative project impacts by Full Buildout could result in a higher vacancy rate increase, but still relatively low at 1.7% to 2.9%. The combined cities vacancy rate is currently 3.9%. A 1.7% to 2.9% increase in this vacancy rate would increase the rate to 5.5% to 6.8%. These rates are within the range previously experienced by Pleasanton and Dublin, and within the 5% to 10% range generally deemed sufficient to maintain a healthy retail market, which includes some increment of vacancy to allow for market fluidity and growth of existing retailers. Thus, this potential increment in retail vacancy is not perceived to be detrimental to the real estate sector, and hence the physical environment of the Project's market area. Further, the actual increment in vacancy will be less because as new development occurs the inventory will increase, so the vacancy will be a smaller percentage of the increased base.

In addition to increasing the prevailing vacancy rate by a nominal amount, the market has demonstrated the ability to backfill retail vacancies, including larger vacancies such as might be caused by the closure of a grocery store. The examples presented in Exhibit 46 demonstrate that the market is resilient and that larger scale vacancies can be successfully backfilled. This provides support and evidence to suggest that continued backfilling can occur, without risk the market devolving into urban decay.

### **Urban Decay Conclusion**

In developing a conclusion regarding the potential for urban decay, ALH Economics relied on the definition presented earlier in this chapter, which focused on determining whether or not physical deterioration would likely result from the opening of the Project and other cumulative developments. ALH Economics' conclusion is based on consideration of current market conditions, findings regarding sales and vacancy impacts, and regulatory controls, as summarized below:

**Current Market Conditions:** The fieldwork and market research indicated that retail market conditions are moderate to very strong in the market area's

core commercial areas, with low to moderate retail vacancy rates. Retail leasing activity is strong and existing vacancies are well maintained.

**Sales and Vacancy Impacts:** The findings suggest the Project's Phase I development could result in the closure of one grocery store and that at Full Buildout the cumulative project impacts (including the Project) could result in a modest increase in the market area's vacancy rate, as new market area demand will not be sufficient to support all the competitive retail space. While the grocery store closure is deemed unlikely, due to factors such as the anticipated distribution of impacts and the lack of variety and bulk orientation of goods available at club retail stores, even if the modest amount of vacancy occurs, the resulting vacancy rate increment will be nominal, with the resulting vacancy rate well within the range indicative of a healthy retail market. Moreover, the market's demonstrated retail absorption, including backfilling of larger retail spaces, coupled with the strong to moderately strong market conditions, suggest that vacancies that might occur as a result of the cumulative project impacts would likely be backfilled within a reasonable time and not be characterized by prolonged vacancy.

Even if some sites experience prolonged vacancy because they might be of a size that experiences less demand or they are located in shopping centers with poor visibility or other undesirable characteristics, the prevailing conditions in the market area suggest that these vacancies would be well-maintained and would not devolve into urban decay or deterioration. Moreover, it should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses, such as the Fresh & Easy example in Exhibit 46. While not all tenants would have the wherewithal to continue these payments, national or regional retailers are more likely to have this capability. This is an important consideration because landlords would continue to receive income on these vacated spaces through committed lease payments, which means they would have available financial resources to continue to maintain their properties.

**Regulatory Controls:** During Project-related fieldwork conducted in February 2016, ALH Economics found there were little-to-no visible signs of litter, graffiti, weeds, or rubbish associated with existing commercial nodes in the Project's market area. Thus, ALH Economics concludes that existing measures to maintain private commercial property in good condition in Pleasanton and Dublin are generally effective and would serve to help preclude the potential for urban decay and deterioration in the event any existing retailers in the market area close following the operations of the Project and other cumulative retail projects.

In conclusion, while some existing stores may experience negative impacts following the addition of the Project, evidence suggests that closed store spaces would not exhibit traditional signs of deterioration and decay, such as graffiti, refuse dumping, and dilapidated fencing. Existing vacant spaces throughout the market area appear well-maintained, including longer-term vacancies. This, plus the recent area leasing activity, indicates that the Project's market area is an inherently appealing retail market. Based upon these findings, ALH Economics

concludes that the Johnson Drive EDZ Project and the identified cumulative projects will not cause or contribute to urban decay.

## X. FISCAL IMPACT ANALYSIS

The purpose of this study chapter is to present a net fiscal impact analysis of the Project components included in the economic impact analysis. This includes the new general retail, club retail, and hotel development included in the analysis. The chapter discusses the anticipated City of Pleasanton General Fund revenues anticipated to be generated by the Project, the associated expenditures to service the Project, and the net fiscal impact, both at the completion of Phase I and on an annual recurring basis after buildout. All of the fiscal impact analysis findings are documented in a series of exhibits. These are referenced in the text and include Exhibits 47 through 57. Because the analysis includes two time periods (Phase I and Full Buildout) and two hotel options the findings do not lend themselves to text table presentation.

### APPROACH TO THE ANALYSIS

In February 2015 Brion & Associates prepared a draft memorandum pertaining to the Johnson Drive Economic Development Zone for the Project applicant. This memorandum is titled "Draft Summary – Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton," and is dated February 5, 2015. The analysis in this memorandum was prepared for the entire 40-acre area under consideration for designation as an EDZ. The Brion & Associates analysis was prepared for five site project scenarios, which included a mix of club retail, hotel, retail, HQ office, and office space.

ALH Economics was directed to use as much of the Brion & Associates analysis as possible in preparing a fiscal impact analysis specific to the Project included in the economic impact analysis. This pertains to the club retail space, general retail space, and hotel development to be developed above the existing base of retail space. ALH Economics therefore reviewed the Brion & Associates analysis, identified the key assumptions relevant to the Project, and updated select factors pursuant to the passage of time since completion of the Brion & Associates study. The Brion & Associates study was benchmarked to the City of Pleasanton's Fiscal Year 2014/15 Operating Budget. ALH Economics benchmarked the current Project fiscal impact analysis to the Fiscal Year 2015/16 Operating Budget where relevant. Exceptions to this update are noted in the following fiscal impact analysis presentation.

In general, the Brion & Associates analysis is based upon the average cost approach to fiscal impact analysis. In this approach, costs are derived by determining an average cost to provide existing services on a per capita basis for the relevant population served, which is then applied to the comparable population base for the project under study. In this approach revenues are also sometimes calculated on a per capita basis as well, with other revenues estimated based upon a project's anticipated performance or valuation. The ALH Economics analysis parallels the Brion & Associates approach to General Fund revenues and expenditures. Therefore, this current analysis relies upon the Brion & Associates report as a source document. The logic or support for the resulting fiscal impact factors or assumptions can be found in the referenced Brion & Associates report and are not repeated herein except as warranted to support the current analysis.

## **FISCAL ASSUMPTIONS**

The fiscal impact analysis is dependent upon key assumptions and building blocks. These are presented in Exhibits 47 through 50, which include inputs to the analysis. Following is a review of these key assumptions and building blocks.

### **Project Description, Employment, and Service Population Estimates**

Exhibit 47 summarizes the proposed Project development program as reviewed earlier. For analytic purposes, ALH Economics bases the analysis on occupied square feet. As noted there are two hotel options. One option includes 150 rooms (Option 1) and one option includes 231 rooms (Option 2). The employment assumption is sourced to the Brion & Associates study, and includes an estimated 800 square feet per club retail employee, 400 square feet per general retail employee, and 3,000 square feet per hotel employee. For this analysis ALH Economics applies the general retail employment density assumption to occupied square feet. The result includes a range of 226 to 241 employees for Phase I development and an increment of 437 employees to full buildout, for a cumulative total of 663 to 678 employees. These employment estimates provide a foundation for estimating the Project's "service population," which is estimated to range from 113 to 120 for Phase I, an additional 219 to full buildout, and a cumulative total of 332 to 339. These service population estimates comprise one-half the estimated employees, on the assumption that employees do not require the same level of service as residents. This is an industry-standard assumption reflected in the Brion & Associates study and is relevant to the calculation of average cost city expenditures as well as some revenues.

### **City of Pleasanton Demographic, Employment, and Tax Characteristics**

Exhibit 48 contains many of the baseline assumptions and information necessary to generate estimates of City of Pleasanton revenues and expenses applicable to the Project. Unless other cited, these figures all match the Brion & Associates analysis. These include population and employment estimates used to generate the size of the City's existing service population for the purpose of deriving existing average cost expenditures and some per capita revenues. These estimates are the same as included in the Brion & Associates study for 2015 and include a population base of 73,500 and an employment base of 58,520. Based on the assumption that each employee is equivalent to one-half a resident, the City's service population is estimated to total 102,760.

This exhibit also includes key tax-related information unique to Pleasanton, such as property and sales tax rates, vehicle in lieu of property tax revenues, and assessed property valuation, all of which are germane to the fiscal impact analysis as noted in subsequent exhibits. Most relevant is the City's estimated share of the basic 1% property tax rate collected by the County, which is 24.64%. In addition, the exhibit indicates the City's sales tax rate is 1.0% and Transient Occupancy Tax (TOT) is 8% of hotel revenues.

Finally, this exhibit also includes information on the City of Pleasanton's Vehicle in Lieu of Property Tax Revenues, which was updated from the Brion & Associates study to reflect the FY 2015/16 budget. This figure is \$5,580,000. This revenue item is generated on the basis of property valuation increases. Toward this end, ALH Economics also updated the City's projected assessed valuation, to also reflect the FY 2015/16 budget, estimated at almost \$19.6 billion.

## **Taxable Project Sales**

The City of Pleasanton will receive sales taxes based upon the taxable portion of the Project's sales. This excludes the portion of club retail sales assumed to be made to wholesale consumers with a resale license. It will also exclude taxable sales that might be diverted from existing retailers. The economic impact analysis identified estimates of sales diverted from existing market area retailers, but does not differentiate between retailers in the portion of the market area in the City of Pleasanton or the City of Dublin. To be conservative, this analysis assumes as a worst case scenario that all these sales are diverted from existing Pleasanton retailers as opposed to retailers outside of Pleasanton. This represents a cautious approach because it results in the maximum reduction in the Project's potential taxable retail sales.

The amount of Project sales providing the basis for sales tax for the Project is derived in a series of three exhibits. Exhibit 49 includes the estimate of all taxable sales, regardless of the amount that might be diverted from existing retailers (i.e., excluding wholesale purchases). When gas sales occur, they are fully loaded with all applicable taxes. Thus, ALH Economics assumes that the estimated portion of Gasoline Station sales for the Project includes taxes. Therefore, analysis is presented in Exhibit 50 that estimates the portion of gasoline sales that is the taxable basis, to which the City's 1.0% sales tax rate would be applied to estimate sales tax. Finally, Exhibit 51 presents the estimate of Project-related taxable sales that will comprise net new taxable sales to the City of Pleasanton. This takes into account the earlier Project sales impacts identified at the end of Phase I and at Full Buildout (e.g., no sales impacts are estimated at this time).

The findings in Exhibit 51 result in net new taxable sales estimated to accrue to the City of Pleasanton totaling \$94.5 million at the end of Phase I, an additional \$69.0 million attributable to the incremental development between 2018 and Full Buildout, and a grand total of \$163.5 million per year at Full Buildout, all in 2015 dollars. This Full Buildout figure will likely increase nominally within a year of full completion of the Project as the small increment of sales impact in the Clothing & Clothing Accessories category is absorbed through new demand generated after the Full Buildout date (see Exhibit 30 for the sales impact figure).

Currently, the Johnson Drive EDZ generates limited taxable retail sales, estimated to total \$8.3 million in Fiscal Year 2015. This figure was derived by ALH Economics from reported sales tax revenues of \$83,432.<sup>35</sup> These taxable retail sales were generated by four businesses. However, for reasons of confidentiality, the City cannot disclose the sales taxes generated by the individual businesses.

## **Johnson Drive EDZ Project Property Valuation**

Exhibit 52 presents the assumptions and conclusions regarding the property valuation of the Project upon the completion of development and the estimated property tax revenues that will accrue to the City of Pleasanton General Fund. The valuation is based on value per square foot assumptions prepared by Brion & Associates. These values are \$300 per square foot for club retail, \$400 per square foot for general retail, and \$300 per square foot for hotel.<sup>36</sup> The

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<sup>35</sup> Provided by the City of Pleasanton Finance Department, pursuant to the City's tax consultant, Hinderliter de Llamas.

<sup>36</sup> ALH Economics believes the hotel valuation figure may be low given the current hotel concept. However, for the sake of both consistency and conservatism this fiscal impact analysis continues to assume the \$300 per square foot value included in the Brion & Associates analysis.

resulting values are \$72.7 to \$85.9 million for Phase I development, depending upon hotel option; and \$69.9 million for the incremental general retail space built between 2018 and Full Buildout in 2028. Thus, the total Project valuation at Full Buildout is \$142.6 to \$155.8 million.

As a point of comparison, in 2014 the assessed value of the parcels in the Johnson Drive EDZ totaled \$41.7 million.<sup>37</sup> Assuming the value of the properties increased 2% from 2014 to 2015 pursuant to the provisions of Proposition 13, this would place the current value of the properties at about \$42.6 million in 2015.

### **FISCAL REVENUE ESTIMATES**

The revenue calculations for the fiscal impact analysis are presented in Exhibits 52 through 55. A summary of these exhibits and their primary purpose follows.

#### **Johnson Drive EDZ Property Taxes**

Exhibit 52 also includes estimates of the property taxes that will accrue to the City of Pleasanton's General Fund pursuant to Project development. Based on the estimated valuation and pursuant to the City of Pleasanton's share of property tax revenues, the Project is estimated to generate \$179,133 to \$211,658 in property taxes at the end of Phase I and \$351,450 to \$383,975 at Full Buildout.

Pursuant to the estimated existing Johnson Drive EDZ valuation of \$42.6 million, ALH Economics estimates that the City of Pleasanton currently receives an estimated \$105,000 in annual property taxes.

#### **Tax in Lieu of VLF Estimates**

Property Tax in Lieu of Vehicle License Fees (VLF) is derived from the Project's anticipated contribution to increased property valuation throughout the City of Pleasanton. This is the method by which such tax revenues are estimated by the State of California and redistributed to local jurisdictions. This is a state substitute for prior motor vehicle license taxes that were redistributed by the State to municipalities. The results of these calculations presented in Exhibit 53 indicate that the incremental value associated with the Project is estimated to increase the City of Pleasanton's assessed valuation by 0.73% to 0.80% upon Full Buildout. The VLF Revenues associated with this increase range from \$20,711 to \$24,472 at the completion of Phase I, an additional \$19,923 at Full Buildout, for a total of \$40,634 to \$44,395 for the entire Project at Full Buildout.

#### **Select City of Pleasanton General Fund Revenue Factors**

The Brion & Associates study identified a number of per capita revenues applicable to Project employees. These are included in Exhibit 54. The factors under "Daytime Population Factors" exactly match the factors calculated by Brion & Associates. ALH Economics did not adjust these factors based on the more current City of Pleasanton Operating Budget because their derivation involved several steps that were not readily adaptable to a more current budget. Matching these figures to the Brion & Associates analysis is therefore conservative, as it does not adjust for modest increases anticipated between fiscal years. These factors total \$72.68 per daytime

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<sup>37</sup> Brion & Associates Memorandum, Table A-4.



population, which is equivalent to \$36.34 per employee pursuant to the study's approach to estimating service population.

Exhibit 54 also includes "Sales Tax Factors" that pertain to sources other than the Project's taxable retail sales. These include retail sales tax pursuant to employee taxable spending in Pleasanton and anticipated local taxable retail spending by hotel guests. These factors were derived from analysis in the Brion & Associates study, and include \$26.38 a year per employee and \$0.50 per occupied hotel room.

### **Select City of Pleasanton General Fund Revenues**

Exhibit 55 presents estimated General Fund revenues associated with sales tax, transient occupancy tax (TOT), and employee-based revenues. All of the revenues factors were presented earlier, such as the Project's estimated taxable sales net new to the City of Pleasanton, the per employee and per occupied hotel room annual sales tax, TOT rate, and the per employee General Fund revenues. The only piece of information new to this exhibit includes the assumptions relevant to the TOT estimate. For this revenue source, the analysis assumes the same \$125 hotel room rate assumed in the Brion & Associates study. ALH Economics believes this is conservative given hotel room rates in the Pleasanton and Dublin area as presented in Exhibit 55, but using a conservative room rate results in a conservative estimate of TOT revenues. The analysis further assumes the same 75% occupancy rate assumed by Brion & Associates. Thus, for Option 1's 150 rooms there will be an estimated 41,062.5 occupied room a year, increasing to 63,236.25 for Option 2's 231 rooms.

The revenue estimates in Exhibit 55 include \$814,819 in Project-generated retail sales tax at the completion of Phase I, increasing to \$1.7 million a year at Full Buildout (this compares to \$83,432 in sales taxes generated in Fiscal Year 2015 from existing Johnson Drive EDZ businesses). This is the largest revenue source included in Exhibit 55, followed by TOT taxes of \$410,625 to \$632,363 a year beginning with the completion of Phase I. All other revenues included in this exhibit are estimated to total approximately \$30,000 or less a year, even at Full Buildout.

### **FISCAL EXPENDITURES ESTIMATES**

The Brion & Associates Memorandum calculated fiscal expenditures based upon the average cost methodology. This approach as implemented by Brion & Associates looks at departmental costs, estimates the amount likely to vary with the size of the population served, determines the share likely to be applicable to employment-generated uses, and derives a per employee expenditure estimate. ALH Economics replicated the Brion & Associates analysis using projected City of Pleasanton expenditures from the FY 2015/16 Operating Budget. The sole exception to replicating the Brion & Associates approach pertains to the estimation of Offsetting Revenues. For this column, ALH Economics could not fully replicate the Brion & Associates approach because some matching figures could not be found in the FY 2015/16 Operating Budget. In these cases, ALH Economics calculated the percent offsetting revenues from the Brion & Associates analysis and applied these percentages to the departmental revenues to deduce the offsetting revenue amounts. This is explained and documented in Exhibit 56.

The expenditures analysis documented in Exhibit 56 results in a per employee annual expenditure estimate of \$293.63. The comparative figure in the Brion & Associates Memorandum based upon Fiscal Year 2014/15 expenditures is \$269.69.

## **NET FISCAL IMPACT**

The results of the Project fiscal impact analysis are presented in Exhibit 57. These findings present the estimated annual revenues and expenditures accruing to the City of Pleasanton's General Fund at completion of Phase I and at Full Buildout of the Project. The results are also presented for the two hotel options. As referenced earlier, the analysis assumes a worst case analysis, in that all diverted taxable sales are diverted from City of Pleasanton retailers. This is conservative in that taxable sales diversions, if they occur, are likely to pertain to retailers throughout the Project's market area.

### **Summary of Revenues**

The fiscal impact findings indicate that on an annual basis, the Project is estimated to generate \$1.5 to \$1.7 million in gross revenues to the City of Pleasanton at the completion of Phase I, depending upon the hotel room count option. These revenues are projected to increase to \$2.5 to \$2.7 million upon Full Buildout. The largest General Fund revenue component is retail sales tax estimated at \$0.8 million for Phase I and \$1.6 million for Full Buildout. All other General Fund revenues are much lower, with property taxes comprising the next largest General Fund revenue source followed by Transient Occupancy taxes. There are likely to be yet additional General Fund revenues generated by the Project, but the most substantial revenue sources are reflected in Exhibit 57.

### **Summary of Expenditures**

The average General Fund expenditures estimated to be attributable to the Project total \$66,422 to \$70,728 annually at the completion of Phase I and \$194,764 to \$199,071 annually at the completion of Full Buildout. This reflects the average City of Pleasanton service costs for General Government, Community Development, Operations Services, Community Services, Library, Police, and Fire. These are the estimated average service costs for the Project's estimated employees.

These expenditures estimates do not include any City of Pleasanton cost allocation for the Project's transportation costs. It is possible the City of Pleasanton may be responsible for a portion of the Project's transportation costs. However, the amount of this expenditure is not presently identified and will be ultimately determined by the Pleasanton City Council. Thus, Project expenditures may increase by some as yet unidentified amount.

### **Net Fiscal Impact Summary**

The net result of the Project's fiscal impact at stabilized operations assuming on a worst case basis that all diverted sales are diverted from Pleasanton retailers, is a projected \$1.4 to \$1.7 million annual contribution to the City of Pleasanton's General Fund at the completion of Phase I. This net revenue estimate increases to \$2.1 to \$2.3 million annually upon Full Buildout. At full buildout these net fiscal revenues represent an annual contribution equivalent to approximately 2.1% to 2.3% of the City's General Fund expenditures.

As noted above, the Project expenditures analysis does not include any potential City of Pleasanton share of Project-related transportation costs. The expenditure of any such costs will result in a reduction in the Project's estimated annual net fiscal revenues.

## **Sensitivity Analysis for Reduced Club Retail Sales**

The Brion & Associates analysis of the Johnson Drive EDZ included a lower per square foot sales estimate for the Project's club retail space. This figure was \$700 per square foot vs. the \$1,152 per square foot figure included in the economic impact analysis.<sup>38</sup> Net fiscal impacts results reflecting this lower \$700 per square foot club retail sales performance estimate are included in Exhibit 57, pursuant to sensitivity analysis. These results indicate that if the club retail space achieved this lower level of sales performance that the Project's Phase I net fiscal impact would range from \$1.1 to \$1.4 million. This net fiscal impact would increase to \$1.9 to \$2.2 million annually upon Full Buildout. Thus, the net fiscal impact results would be equal to approximately 79% to 86% the amount projected with the club retail sales performance benchmarked to Costco's national average performance level.<sup>39</sup>

## **FISCAL IMPACT LIMITATIONS**

The foregoing fiscal impact analysis is intended to give a general sense of the net fiscal impact of the Johnson Drive EDZ Project. The figures are not precise estimates and changes will occur if the revenue and expenditure factors or other assumptions are developed with more precision. Nonetheless, the findings suggest a strong likelihood that the Project will result in a significant net positive fiscal impact to the City's General Fund. However, some limitations to the analysis, listed below, may affect the degree of the Project's estimated net benefit and change the net fiscal impact balance.

### **General Limitations**

- The analysis is benchmarked to estimated stabilized operations. The net impacts during the ramp up period to stabilized operations will vary from the stabilized operations estimate. It may take several years before the full stabilized impacts transpire.
- The analysis may not be inclusive of all revenue and cost estimates. Major categories associated with ongoing revenues and costs are included, but there may be other less significant categories excluded from the analysis.

### **One-time Revenues and Appropriations**

- The fiscal impact analysis does not include one-time fees that may be assessed by the City of Pleasanton. These fees are typically assessed on a cost recovery basis and are thus excluded from the analysis. Other potential fees, such as impact fees, are also excluded as they too are designed to provide a nexus with the services provided.
- Depending upon how construction contracts are structured, there may be the potential for the City of Pleasanton to benefit from construction-related sales and use taxes associated with the construction effort. These revenues are excluded from the analysis but could comprise a strong source of one-time revenues.

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<sup>38</sup> Brion & Associates Memorandum, Table A-3.

<sup>39</sup> See Exhibit 57, footnote 10 for information on the percentage impact on sales tax revenues assuming the lower club retail sales performance figure.

- Another one-time revenue that could benefit the City of Pleasanton during the construction period includes retail sales tax revenues resulting from construction worker spending in Pleasanton.

### **Ongoing Revenue and Appropriation Factors**

- The analysis does not include any increase in valuation, such that would occur with the maximum 2% allowable increase pursuant to Proposition 13 or that would occur based upon increased valuation upon sale.
- The analysis does not take into account long-term service cost inflation, which may or may not be greater than the estimated rate of inflation.
- The Johnson Drive EDZ Project may trigger the need for additional services not accounted for in this analysis. The costs associated with these services could be meaningful, and could reduce the estimated net positive annual impacts. The likelihood of such additional costs being high, however, is deemed to be low.

In summary, the Johnson Drive EDZ Project net fiscal impact findings estimated above may change as more information and factors are considered. The results, however, suggest a strong likelihood that the Project will result in a significant net positive fiscal impact to the City of Pleasanton's General Fund.

## ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

ALH Urban & Regional Economics has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although ALH Urban & Regional Economics believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

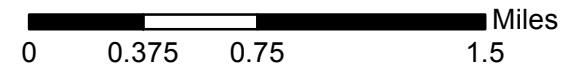
The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

## **APPENDIX A: EXHIBITS**



Exhibit 1: Johnson Drive Economic Development Zone Project Site Location and Area Context



This map contains information from sources we believe to be reliable, but we make no representation, warranty, or guarantee of its accuracy. This map is published for the use of ALH Urban & Regional Economics and its clients only. Redistribution in whole or part to any third party without the prior written consent of ALH Urban & Regional Economics is strictly prohibited.

**Exhibit 2****Johnson Drive Economic Development Zone (EDZ)****Project Description (1)****Existing, Phase I Development, and Full Buildout (2)****Key Land Use Designations Summary**

Development	Development Characteristics			Incremental Development		
	Existing	Phase I Development	Full Buildout	Phase 1	Increment to Full Buildout (2)	Total
	[A]	[B]	[C]	[D = B - A]	[E = C - B]	[E = C - B]
<u>Retail</u>						
General Retail	38,903	43,903	227,940	5,000	184,037	189,037
Club Retail	0	148,000	148,000	148,000	0	148,000
<b>Retail Subtotal</b>	<b>38,903</b>	<b>191,903</b>	<b>375,940</b>	<b>153,000</b>	<b>184,037</b>	<b>337,037</b>
Hotel Option 1 (3)	0	88,000	88,000	88,000	0	88,000
Hotel Option 2 (3)	0	132,000	132,000	132,000	0	132,000

Sources: Environmental Science Associates (ESA); and ALH Urban & Regional Economics.

(1) Includes only the land uses subject to the urban decay analysis. Other land uses are included in the program but are not included herein.

(2) For study purposes Phase I development is anticipated to be fully operational by 2018 (i.e., first full year of operations) and full buildout is anticipated by 2028.

(3) Hotel Option 1 comprises 150 hotel rooms and Option 2 comprises 231 hotel rooms.



**Exhibit 3**  
**Club Retail Store Sales Distribution**  
**Costco Sales by State of California Board of Equalization Retail Classifications (1)**

Costco Categories (2)	Costco Sales Percentages (2)	Distribution Among Board of Equalization Sales Categories								
		Motor Vehicles & Parts Dealers	Home Furnishings & Appliances	Building Materials & Garden Equip.	Food & Beverage Stores	Gasoline Stations	Clothing & Clothing Accessories Stores	General Merchandise Stores	Food Services & Drinking Places	Other Retail Group
Foods (3)	22.0%	0.0%	0.0%	0.0%	22.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sundries (4)	21.0%	0.0%	0.0%	0.0%	15.8%	0.0%	0.0%	5.3%	0.0%	0.0%
Hardlines (5)	16.0%	3.2%	5.6%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%
Fresh Food (6)	14.0%	0.0%	0.0%	0.0%	14.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Softlines (7)	11.0%	0.0%	3.3%	0.0%	0.0%	0.0%	3.3%	3.3%	0.0%	1.1%
Ancillary and Other (8)	16.0%	0.0%	0.0%	0.0%	0.0%	10.6%	0.0%	0.0%	0.8%	4.6%
<b>Totals</b>	<b>100%</b>	<b>3.2%</b>	<b>8.9%</b>	<b>1.6%</b>	<b>51.8%</b>	<b>10.6%</b>	<b>3.3%</b>	<b>8.6%</b>	<b>0.8%</b>	<b>11.3%</b>

Sources: United States Securities and Exchange Commission, Costco Wholesale Corporation 10-K form for the fiscal year ending August 30, 2015, page 4; and ALH Urban & Regional Economics.

(1) This exhibit classifies Costco sales into the major retail categories used for retail sales classification purposes by the State of California Board of Equalization. These distributions comprise assumptions prepared by ALH Urban & Regional Economics, based upon professional judgment pursuant to select Costco store site visits to examine the mix and array of merchandise.

(2) Category descriptions and percentages are presented on page 4 in the Costco Form 10-K filing for the fiscal year ending August 30, 2015.

(3) Food includes including dry and institutionally packaged foods.

(4) Sundries includes snack foods, candy, alcoholic and nonalcoholic beverages, tobacco, and cleaning and institutional supplies.

(5) Hardlines includes major appliances, electronics, health and beauty aids, hardware, and garden and patio.

(6) Fresh food includes meat, produce, deli, and bakery.

(7) Softlines includes apparel and small appliances.

(8) Ancillary and Other include gas stations, pharmacy, food court, and optical.

**Exhibit 4**  
**Club Retail Store Sales Distribution**  
**Sam's Club Sales by State of California Board of Equalization Retail Classifications (1)**

Sam's Club Categories (2)	Sam's Club Sales Percentages (2)	Distribution Among Board of Equalization Sales Categories								
		Motor Vehicles & Parts Dealers	Home Furnishings & Appliances	Building Materials & Garden Equip.	Food & Beverage Stores	Gasoline Stations	Clothing & Accessories Stores	General Merchandise Stores	Food Services & Drinking Places	Other Retail Group
Grocery and consumables (3)	57.0%	0.0%	0.0%	0.0%	51.3%	0.0%	0.0%	5.7%	0.0%	0.0%
Fuel and other categories (4)	23.0%	6.9%	0.0%	6.9%	0.0%	6.9%	0.0%	0.0%	0.0%	2.3%
Home and apparel (5)	8.0%	0.0%	3.2%	0.0%	0.0%	0.0%	3.2%	0.8%	0.0%	0.8%
Technology, office and entertainment (6)	7.0%	0.0%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.9%
Health and wellness (7)	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	4.5%
<b>Totals</b>	<b>100%</b>	<b>6.9%</b>	<b>5.3%</b>	<b>6.9%</b>	<b>51.3%</b>	<b>6.9%</b>	<b>3.2%</b>	<b>7.0%</b>	<b>0.0%</b>	<b>12.5%</b>

Sources: United States Securities and Exchange Commission, Walmart Inc. 10-K Form for the fiscal year ending January 31, 2015, pages 15 and 16; and ALH Urban & Regional Economics.

(1) This exhibit classifies Sam's Club, which is owned and operated by Walmart Inc., sales into the major retail categories used for retail sales classification purposes by the State of California Board of Equalization.

(2) Category descriptions and percentages are presented on pages 15 and 16 in the Walmart Inc. Form 10-K filing for the fiscal year ending January 31, 2015.

(3) Grocery and consumables includes dairy, meat, bakery, deli, produce, dry, chilled or frozen packaged foods, alcoholic and nonalcoholic beverages, floral, snack foods, candy, other grocery items, health and beauty aids, paper goods, laundry and home care, baby care, pet supplies and other consumable items.

(4) Fuel and other categories includes gasoline stations, tobacco, tools and power equipment, and tire and battery centers.

(5) Home and apparel includes home improvement, outdoor living, grills, gardening, furniture, apparel, jewelry, housewares, toys, seasonal items, mattresses and small appliances.

(6) Technology, office and entertainment includes electronics, wireless, software, video games, movies, books, music, office supplies, office furniture, photo processing and third-party gift cards.

(7) Health and wellness includes pharmacy, optical and hearing services and over-the-counter drugs.

**Exhibit 5**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Club Retail Portion Retail Distribution**  
**By State of California Board of Equalization Retail Classifications**

<b>BOE Category</b>	<b>Distribution of Sales % (1)</b>	<b>Net Space Allocation</b>
	<b>[A]</b>	<b>[C = A x B]</b>
Johnson Drive EDZ Club Retail (2)	--	148,000 [B]
Motor Vehicle & Parts Dealers	5.1%	7,474
Home Furnishings & Appliance Stores	7.1%	10,508
Building Materials & Garden Equipment	4.3%	6,290
Food & Beverage Stores	51.5%	76,257
Gasoline Stations	8.8%	12,980
Clothing & Clothing Accessories Stores	3.3%	4,810
General Merchandise Stores	7.8%	11,507
Food Services & Drinking Places	0.4%	592
Other Retail Group	11.9%	17,582
<b>Total</b>	<b>100.0%</b>	<b>148,000</b>

Source: ALH Urban & Regional Economics.

(1) To estimate the distribution of sales for the Johnson Drive EDZ Club Retail portion of the Project, ALH Urban & Regional Economics took the average for the distribution of sales by BOE categories for Costco and Sam's Club. See Exhibits 3 and 4.

(2) See Exhibit 2.

**Exhibit 6**  
**Costco Sales Performance and Distribution of Sales**  
**2015 Dollars**

Store Characteristic	Distribution of Sales	Sales/Space Allocation	Sales Estimates
	[A]	[B]	[D = B x C]
Costco Store Total Sales (1)	--	\$113,666,000,000	--
Costco Square Footage (1)	--	98,700,000	--
Costco No. of Warehouses (1)	--	697	--
Calculated Sales per Warehouse	--	\$163,078,910	--
<b>Calculated Sales per Square Foot</b>	<b>--</b>	<b>\$1,152 [C]</b>	<b>--</b>
Johnson Drive EDZ Club Retail Sq. Ft. (2)		148,000	--
<u>Allocation of Sales by BOE Retail Category (3)</u>			
Motor Vehicle & Parts Dealers	3.2%	4,736	\$5,454,125
Home Furnishings & Appliance Stores	8.9%	13,172	\$15,169,286
Building Materials & Garden Equipment	1.6%	2,368	\$2,727,063
Food & Beverage Stores	51.8%	76,590	\$88,203,434
Gasoline Stations	10.6%	15,747	\$18,134,967
Clothing & Clothing Accessories Stores	3.3%	4,884	\$5,624,567
General Merchandise Stores	8.6%	12,654	\$14,572,741
Food Services & Drinking Places	0.8%	1,184	\$1,363,531
Other Retail Group	11.3%	16,665	\$19,191,704
<b>Total Net Sales</b>	<b>100.0%</b>	<b>148,000</b>	<b>\$170,441,418</b>

Sources: United States Securities and Exchange Commission, Costco Wholesale Corporation 10-K form for the fiscal year ending August 30, 2015, pages 16 and 18; and ALH Urban & Regional Economics.

(1) Costco sales and square footage figures are from pages 18 and 16, respectively, of the Costco Wholesale Corporation 10-K form for the fiscal year ending August 30, 2015.

(2) See Exhibit 2.

(3) See Exhibit 3.

**Exhibit 7**  
**Sam's Club Sales Performance and Distribution of Sales**  
**2015 Dollars**

<b>Store Characteristic</b>	<b>Distribution of Sales [A]</b>	<b>Sales/Space Allocation [B]</b>	<b>Sales Estimates [D = B x C]</b>
Sam's Club Store Total Sales (1)	--	\$58,020,000,000	--
Sam's Club Square Footage (1)	--	86,510,000	--
Sam's Club No. of Stores (1)	--	647	--
Calculated Sales per Store	--	\$89,675,425	--
<b>Calculated Sales per Square Foot</b>	<b>--</b>	<b>\$671 [C]</b>	<b>--</b>
Johnson Drive EDZ Club Retail Sq. Ft. (2)		148,000	--
<u>Allocation of Sales by BOE Retail Category (3)</u>			
Motor Vehicle & Parts Dealers	3.2%	4,736	\$3,176,312
Home Furnishings & Appliance Stores	8.9%	13,172	\$8,834,117
Building Materials & Garden Equipment	1.6%	2,368	\$1,588,156
Food & Beverage Stores	51.8%	76,590	\$51,366,915
Gasoline Stations	10.6%	15,747	\$10,561,236
Clothing & Clothing Accessories Stores	3.3%	4,884	\$3,275,571
General Merchandise Stores	8.6%	12,654	\$8,486,708
Food Services & Drinking Places	0.8%	1,184	\$794,078
Other Retail Group	11.3%	16,665	\$11,176,647
<b>Total Net Sales</b>	<b>100.0%</b>	<b>148,000</b>	<b>\$99,259,739</b>

Sources: United States Securities and Exchange Commission, Walmart Inc. 10-K Form for the fiscal year ending January 31, 2015, pages 15 and 5 within the Exhibits; and ALH Urban & Regional Economics.

(1) Sam's Club square footage and sales figures are on pages 15 and 5 within the Exhibits, respectively, from the Walmart Inc. 10-K form for the fiscal year ending January 31, 2015.

(2) See Exhibit 2.

(2) See Exhibit 3.

**Exhibit 8****Johnson Drive Economic Development Zone (EDZ)****Project Distribution of General Retail Space****Net New Retail Square Feet by State of California Board of Equalization Category**

Retail Categories (1)	Retail	Phase 1	Increment to	Cumulative Net
	[A]	[C = A x B]	Buildout	New at Full
			[E = A x D]	Buildout
				[F = C + E]
<b>Total Square Feet</b>		<b>5,000 [B]</b>	<b>184,037 [D]</b>	<b>189,037</b>
Motor Vehicle & Parts Dealers	0.0%	0	0	0
Home Furnishings & Appliance Stores	12.5%	625	23,005	23,630
Building Materials and Garden Equip.	12.5%	625	23,005	23,630
Food and Beverage Stores	0.0%	0	0	0
Gasoline Sales	0.0%	0	0	0
Clothing and Clothing Accessories Stores	25.0%	1,250	46,009	47,259
General Merchandise	12.5%	625	23,005	23,630
Food Services and Drinking Places	12.5%	625	23,005	23,630
Other Retail	25.0%	1,250	46,009	47,259
<b>Total</b>	<b>100.0%</b>	<b>5,000</b>	<b>184,037</b>	<b>189,037</b>
<b>Occupied Square Feet (2)</b>		<b>4,750</b>	<b>174,835</b>	<b>179,585</b>
Motor Vehicle & Parts Dealers	12.5%	0	0	0
Home Furnishings & Appliance Stores	12.5%	594	21,854	22,448
Building Materials and Garden Equip.	12.5%	594	21,854	22,448
Food and Beverage Stores	0.0%	0	0	0
Gasoline Sales	0.0%	0	0	0
Clothing and Clothing Accessories Stores	12.5%	1,188	43,709	44,896
General Merchandise	12.5%	594	21,854	22,448
Food Services and Drinking Places	12.5%	594	21,854	22,448
Other Retail	25.0%	1,188	43,709	44,896
<b>Total</b>	<b>100.0%</b>	<b>4,750</b>	<b>174,835</b>	<b>179,585</b>

Sources: Environmental Science Associates (ESA); and ALH Urban & Regional Economics.

(1) Retail allocations for General Retail are based on an estimated equal allocation of space per retail category. Exceptions include the exclusion of Gasoline Sales, Food and Beverage Store sales, and Motor Vehicle & Parts Dealers, as these retail uses are anticipated to be well represented by the Project's Club Retail use. In addition, the Clothing and clothing Accessories and Other Retail categories have a double allocation due to the breadth of retail uses represented by these categories.

(2) Analysis assumes a stabilized retail vacancy rate of 5.0%.

**Exhibit 9**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Distribution of Sales for Incremental Retail Space (Not including Existing Retail Space)**  
**2015 Dollars**

BOE Sales Category	Sales per Square Foot	Phase 1		Increment to Buildout		Total at Full Buildout	
		Net New Occupied Sq. Ft.	Sales	Net New Occupied Sq. Ft.	Sales	Net New Occupied Sq. Ft.	Sales
<b>General Retail (1)</b>							
Motor Vehicle & Parts Dealers	\$800 (2)	0	\$0	0	\$0	0	\$0
Home Furnishings & Appliance Stores	\$323 (3)	594	\$191,486	21,854	\$7,048,093	22,448	\$7,239,578
Building Materials and Garden Equip.	\$300 (4)	594	\$178,020	21,854	\$6,552,455	22,448	\$6,730,475
Food and Beverage Stores	\$643 (5)	0	\$0	0	\$0	0	\$0
Gasoline Stations	NA	0	\$0	0	\$0	0	\$0
Clothing and Clothing Accessories Stores	\$385 (6)	1,188	\$457,153	43,709	\$16,826,611	44,896	\$17,283,764
General Merchandise	\$297 (7)	594	\$176,420	21,854	\$6,493,576	22,448	\$6,669,997
Food Services and Drinking Places	\$608 (8)	594	\$361,061	21,854	\$13,289,717	22,448	\$13,650,778
Other Retail	\$429 (9)	1,188	\$509,418	43,709	\$18,750,349	44,896	\$19,259,767
	<b>Subtotal</b>	<b>4,750</b>	<b>\$1,873,558</b>	<b>174,835</b>	<b>\$68,960,801</b>	<b>179,585</b>	<b>\$70,834,359</b>
<b>Club Retail (10)</b>							
	\$1,152 (11)						
Motor Vehicles and Parts Dealers		7,474	\$8,607,292	0	\$0	7,474	\$8,607,292
Home Furnishings and Appliance Stores		10,508	\$12,101,341	0	\$0	10,508	\$12,101,341
Building Materials and Garden Equip.		6,290	\$7,243,760	0	\$0	6,290	\$7,243,760
Food and Beverage Stores		76,257	\$87,819,941	0	\$0	76,257	\$87,819,941
Gasoline Stations		12,980	\$14,947,712	0	\$0	12,980	\$14,947,712
Clothing and Clothing Accessories Stores		4,810	\$5,539,346	0	\$0	4,810	\$5,539,346
General Merchandise Stores		11,507	\$13,251,820	0	\$0	11,507	\$13,251,820
Food Services and Drinking Places		592	\$681,766	0	\$0	592	\$681,766
Other Retail Group		17,582	\$20,248,441	0	\$0	17,582	\$20,248,441
	<b>Subtotal</b>	<b>148,000</b>	<b>\$170,441,418</b>	<b>0</b>	<b>\$0</b>	<b>148,000</b>	<b>\$170,441,418</b>
<b>TOTAL</b>		<b>152,750</b>	<b>\$172,314,976</b>	<b>174,835</b>	<b>\$68,960,801</b>	<b>327,585</b>	<b>\$241,275,777</b>

Source: ALH Urban & Regional Economics.

- (1) See Exhibit 8 for space distribution. Sales are based on stabilized occupied square feet.  
(2) The Motor Vehicles and Parts sales per square foot is estimated by ALH Urban & Regional Economics.  
(3) The Home Furnishings and Appliance Stores sales per square foot is based on the average estimated sales for Domestic for 2015, see Exhibit B-1.  
(4) The Building Material and Garden Equip. sales per square foot is based on the average estimated sales for Home Improvement for 2015, see Exhibit B-1.  
(5) The Food and Beverage Stores sales per square foot is based on the average estimated sales for Supermarkets and Specialty/Organic for 2015, see Exhibit B-1.  
(6) The Clothing and Clothing Accessories Stores sales per square foot is based on the average estimated sales for Apparel for 2015, see Exhibit B-1.  
(7) The General Merchandise Stores sales per square foot is based on the average estimated sales for Discount Stores and Department Stores for 2015, see Exhibit B-1.  
(8) The Food and Drinking Places sales per square foot is based on the average estimated sales for Restaurants Category for 2015, see Exhibit B-1.  
(9) The Other Retail sales per square foot is based on the average estimated sales for other retail categories for 2015, see Exhibit B-1.  
(10) See Exhibit 5 for space distribution.  
(11) The analysis conservatively benchmarks the Project's club retail sales to the Costco sales calculated in Exhibit 6. This is conservative as it maximizes the Project's potential sales impacts. Use of a lower figure would result in lower potential sales impacts.

**Exhibit 10**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Distribution of Club Retail Sales and Consumer Sales Estimates**  
**2015 Dollars**

BOE Sales Category	Sales Estimates (1)	Estimated Sales Division (1)	
		Retail Consumers	Wholesale Consumers
	[A]	[B = A * 87%]	[C = A * 13%]
Motor Vehicle & Parts Dealers	\$8,607,292	\$7,485,062	\$1,122,230
Home Furnishings & Appliance Stores	\$12,101,341	\$10,523,552	\$1,577,789
Building Materials & Garden Equipment	\$7,243,760	\$6,299,309	\$944,451
Food & Beverage Stores	\$87,819,941	\$76,369,862	\$11,450,078
Gasoline Stations (3)	\$14,947,712	\$14,947,712	\$0
Clothing & Clothing Accessories Stores	\$5,539,346	\$4,817,119	\$722,227
General Merchandise Stores	\$13,251,820	\$11,524,031	\$1,727,790
Food Services & Drinking Places	\$681,766	\$592,876	\$88,889
Other Retail Group	\$20,248,441	\$17,608,422	\$2,640,018
<b>Total Sales</b>	<b>\$170,441,418</b>	<b>\$150,167,946</b>	<b>\$20,273,472</b>

Sources: Annual Report 2015, Costco Wholesale, Fiscal Year Ended August 30, 2015, pages 8 and 9; and ALH Urban & Regional Economics.

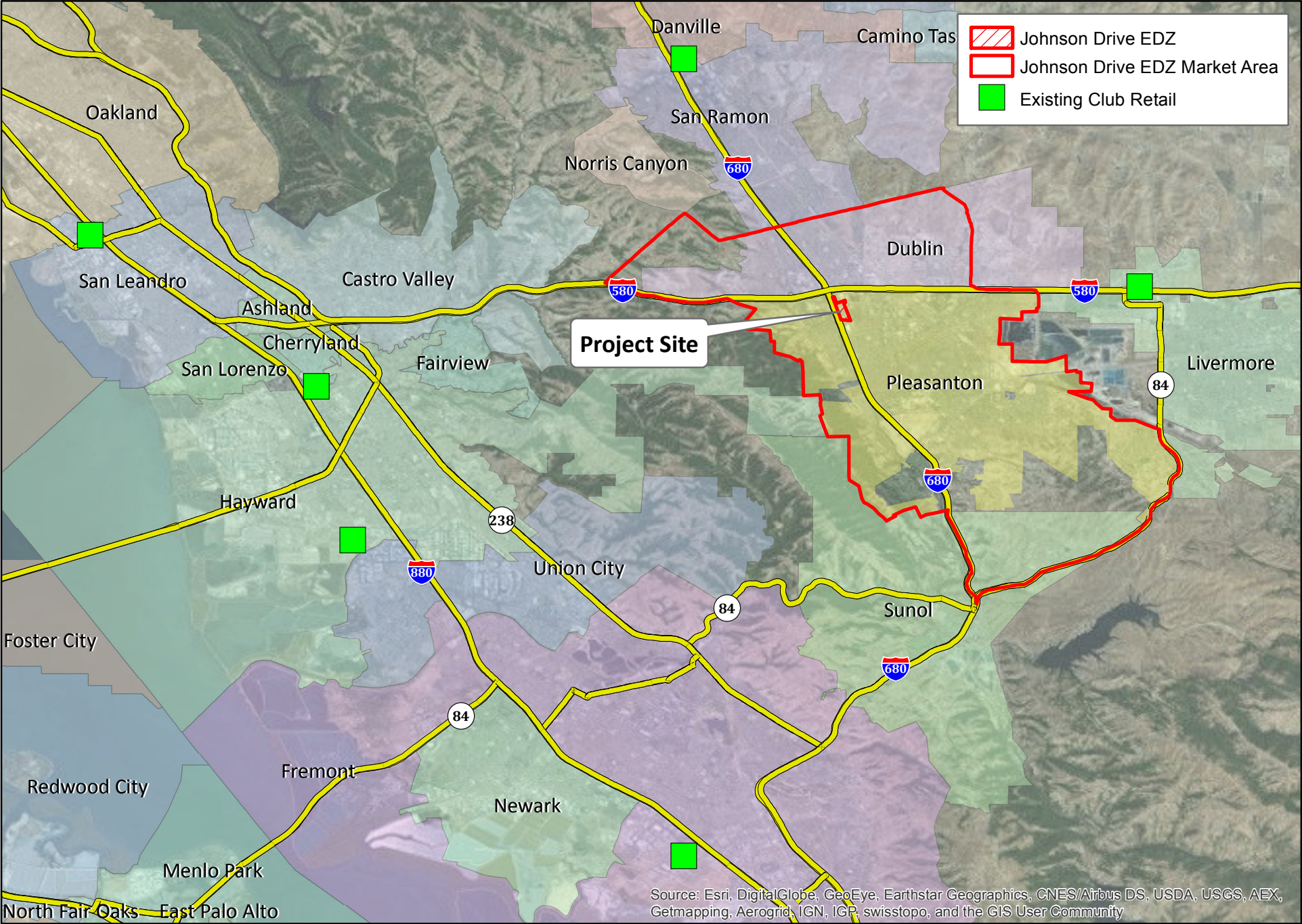
(1) See Exhibit 9.

(2) A portion of Costco sales are made by businesses that later engage in resales of the products purchased from Costco. These sales are considered wholesale purchases, and are exempt from sales tax at the time of purchase. They are also not reported by the State of California Board of Equalization in the same manner as other, more commercial purchases. This is relevant because subsequent analysis reflected in this study's series of exhibits is highly dependent on taxable sales data reported by the State Board of Equalization. Information in Costco investor documents indicates that in 2015 Costco's 10.6 million Business Cardholders (and add-ons) comprised 24% of Costco's 44.6 million paid Costco memberships, including individual and business memberships with add-on cards. Costco provides all paid memberships with an additional free household card, so in 2015 there were a total of 80.1 million cardholders. The business cardholders comprised 13% of these total cardholders. For the sake of the analysis, ALH Urban & Regional Economics assumes that 50% of the business cardholder purchases are made by businesses with resale licenses, and thus comprise tax exempt purchases. However, ALH Economics further assumes that business cardholders with resale licenses spend twice as much as other business cardholders due to their purchase of inventory/merchandise for later resale. Therefore, the analysis assumes that 13% of Pleasanton Costco store sales will be to wholesale customers, i.e., customers whose typical purchases are not reported as retail purchases, and 87% will be to household and business customers that qualify to pay sales tax on taxable items. The exception is gasoline sales, all of which are allocated to retail consumers as all of these sales are assumed to be taxed, and this is the same as a consumer-based taxable retail sales purchase.

(3) Gasoline sales are not assumed to be subject to potential resale, and thus are considered only as retail sales.



Exhibit 11: Johnson Drive Economic Development Zone Project Market Area and Area Club Retail



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**Exhibit 12**  
**Danville Costco**  
**Household Zip Code of Costco Shoppers (1) (2)**  
**2013**

Zip Code	Primary Metro Area	Percent of Visitors	Cumulative Percent of Visitors
94582	San Francisco-Oakland-Fremont, CA	14.30%	14.30%
94583	San Francisco-Oakland-Fremont, CA	14.10%	28.40%
94526	San Francisco-Oakland-Fremont, CA	11.40%	39.80%
94506	San Francisco-Oakland-Fremont, CA	7.70%	47.50%
<b>94568 (3)</b>	<b>San Francisco-Oakland-Fremont, CA</b>	<b>4.00%</b>	<b>51.50%</b>
94507	San Francisco-Oakland-Fremont, CA	3.10%	54.60%
<b>94566 (3)</b>	<b>San Francisco-Oakland-Fremont, CA</b>	<b>2.20%</b>	<b>56.80%</b>
<b>94588 (3)</b>	<b>San Francisco-Oakland-Fremont, CA</b>	<b>1.80%</b>	<b>58.60%</b>
94565	San Francisco-Oakland-Fremont, CA	1.50%	60.10%
94550	San Francisco-Oakland-Fremont, CA	1.50%	61.60%
94520	San Francisco-Oakland-Fremont, CA	1.50%	63.10%
94521	San Francisco-Oakland-Fremont, CA	1.20%	64.30%
94546	San Francisco-Oakland-Fremont, CA	1.20%	65.50%
94596	San Francisco-Oakland-Fremont, CA	1.10%	66.60%
94523	San Francisco-Oakland-Fremont, CA	1.00%	67.60%
94518	San Francisco-Oakland-Fremont, CA	1.00%	68.60%
94509	San Francisco-Oakland-Fremont, CA	0.80%	69.40%
94551	San Francisco-Oakland-Fremont, CA	0.80%	70.20%
94541	San Francisco-Oakland-Fremont, CA	0.80%	71.00%
94597	San Francisco-Oakland-Fremont, CA	0.80%	71.80%
94553	San Francisco-Oakland-Fremont, CA	0.80%	72.60%
94531	San Francisco-Oakland-Fremont, CA	0.70%	73.30%
94598	San Francisco-Oakland-Fremont, CA	0.70%	74.00%
94549	San Francisco-Oakland-Fremont, CA	0.70%	74.70%
94519	San Francisco-Oakland-Fremont, CA	0.60%	75.30%
94556	San Francisco-Oakland-Fremont, CA	0.60%	75.90%
94536	San Francisco-Oakland-Fremont, CA	0.60%	76.50%
94544	San Francisco-Oakland-Fremont, CA	0.50%	77.00%
94538	San Francisco-Oakland-Fremont, CA	0.50%	77.50%
94513	San Francisco-Oakland-Fremont, CA	0.50%	78.00%
94552	San Francisco-Oakland-Fremont, CA	0.50%	78.50%
94561	San Francisco-Oakland-Fremont, CA	0.40%	78.90%
94591	Vallejo-Fairfield, CA	0.40%	79.30%
95376	Stockton, CA	0.40%	79.70%
94563	San Francisco-Oakland-Fremont, CA	0.40%	80.10%
94577	San Francisco-Oakland-Fremont, CA	0.40%	80.50%
94578	San Francisco-Oakland-Fremont, CA	0.40%	80.90%
94595	San Francisco-Oakland-Fremont, CA	0.40%	81.30%
94534	Vallejo-Fairfield, CA	0.30%	81.60%
94528	San Francisco-Oakland-Fremont, CA	0.30%	81.90%
94587	San Francisco-Oakland-Fremont, CA	0.30%	82.20%
94560	San Francisco-Oakland-Fremont, CA	0.30%	82.50%
94803	San Francisco-Oakland-Fremont, CA	0.30%	82.80%
95124	San Jose-Sunnyvale-Santa Clara, CA	0.30%	83.10%
95377	Stockton, CA	0.20%	83.30%
95687	Vallejo-Fairfield, CA	0.20%	83.50%
94547	San Francisco-Oakland-Fremont, CA	0.20%	83.70%
94517	San Francisco-Oakland-Fremont, CA	0.20%	83.90%
94806	San Francisco-Oakland-Fremont, CA	0.20%	84.10%
94558	Napa, CA	0.20%	84.30%
94545	San Francisco-Oakland-Fremont, CA	0.20%	84.50%
94510	Vallejo-Fairfield, CA	0.20%	84.70%
95035	San Jose-Sunnyvale-Santa Clara, CA	0.20%	84.90%
95008	San Jose-Sunnyvale-Santa Clara, CA	0.20%	85.10%
95351	Modesto, CA	0.20%	85.30%

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**Exhibit 12**  
**Danville Costco**  
**Household Zip Code of Costco Shoppers (1) (2)**  
**2013**

<b>Zip Code</b>	<b>Primary Metro Area</b>	<b>Percent of Visitors</b>	<b>Cumulative Percent of Visitors</b>
CONTINUED FROM THE PREVIOUS PAGE			
94533	Vallejo-Fairfield, CA	0.20%	85.50%
94611	San Francisco-Oakland-Fremont, CA	0.20%	85.70%
94539	San Francisco-Oakland-Fremont, CA	0.20%	85.90%
94579	San Francisco-Oakland-Fremont, CA	0.20%	86.10%
94619	San Francisco-Oakland-Fremont, CA	0.20%	86.30%
95355	Modesto, CA	0.20%	86.50%
94505	San Francisco-Oakland-Fremont, CA	0.20%	86.70%
94602	San Francisco-Oakland-Fremont, CA	0.20%	86.90%
94501	San Francisco-Oakland-Fremont, CA	0.10%	87.00%
94607	San Francisco-Oakland-Fremont, CA	0.10%	87.10%
94605	San Francisco-Oakland-Fremont, CA	0.10%	87.20%
94589	Vallejo-Fairfield, CA	0.10%	87.30%
94087	San Jose-Sunnyvale-Santa Clara, CA	0.10%	87.40%
95127	San Jose-Sunnyvale-Santa Clara, CA	0.10%	87.50%
94608	San Francisco-Oakland-Fremont, CA	0.10%	87.60%
95003	Santa Cruz-Watsonville, CA	0.10%	87.70%
94580	San Francisco-Oakland-Fremont, CA	0.10%	87.80%
94555	San Francisco-Oakland-Fremont, CA	0.10%	87.90%
95125	San Jose-Sunnyvale-Santa Clara, CA	0.10%	88.00%
94065	San Francisco-Oakland-Fremont, CA	0.10%	88.10%
94931	Santa Rosa-Petaluma, CA	0.10%	88.20%
94109	San Francisco-Oakland-Fremont, CA	0.10%	88.30%
95136	San Jose-Sunnyvale-Santa Clara, CA	0.10%	88.40%
94585	Vallejo-Fairfield, CA	0.10%	88.50%
95116	San Jose-Sunnyvale-Santa Clara, CA	0.10%	88.60%
94601	San Francisco-Oakland-Fremont, CA	0.10%	88.70%
94621	San Francisco-Oakland-Fremont, CA	0.10%	88.80%
94606	San Francisco-Oakland-Fremont, CA	0.10%	88.90%
95391	San Francisco-Oakland-Fremont, CA	0.10%	89.00%
95337	Stockton, CA	0.10%	89.10%
95020	San Jose-Sunnyvale-Santa Clara, CA	0.10%	89.20%
95135	San Jose-Sunnyvale-Santa Clara, CA	0.10%	89.30%
95126	San Jose-Sunnyvale-Santa Clara, CA	0.10%	89.40%
95206	Stockton, CA	0.10%	89.50%
94603	San Francisco-Oakland-Fremont, CA	0.10%	89.60%
94564	San Francisco-Oakland-Fremont, CA	0.10%	89.70%
94010	San Francisco-Oakland-Fremont, CA	0.10%	89.80%
94590	Vallejo-Fairfield, CA	0.10%	89.90%
		<b>89.90%</b>	

Sources: Streetlightdata.com; and ALH Urban & Regional Economics.

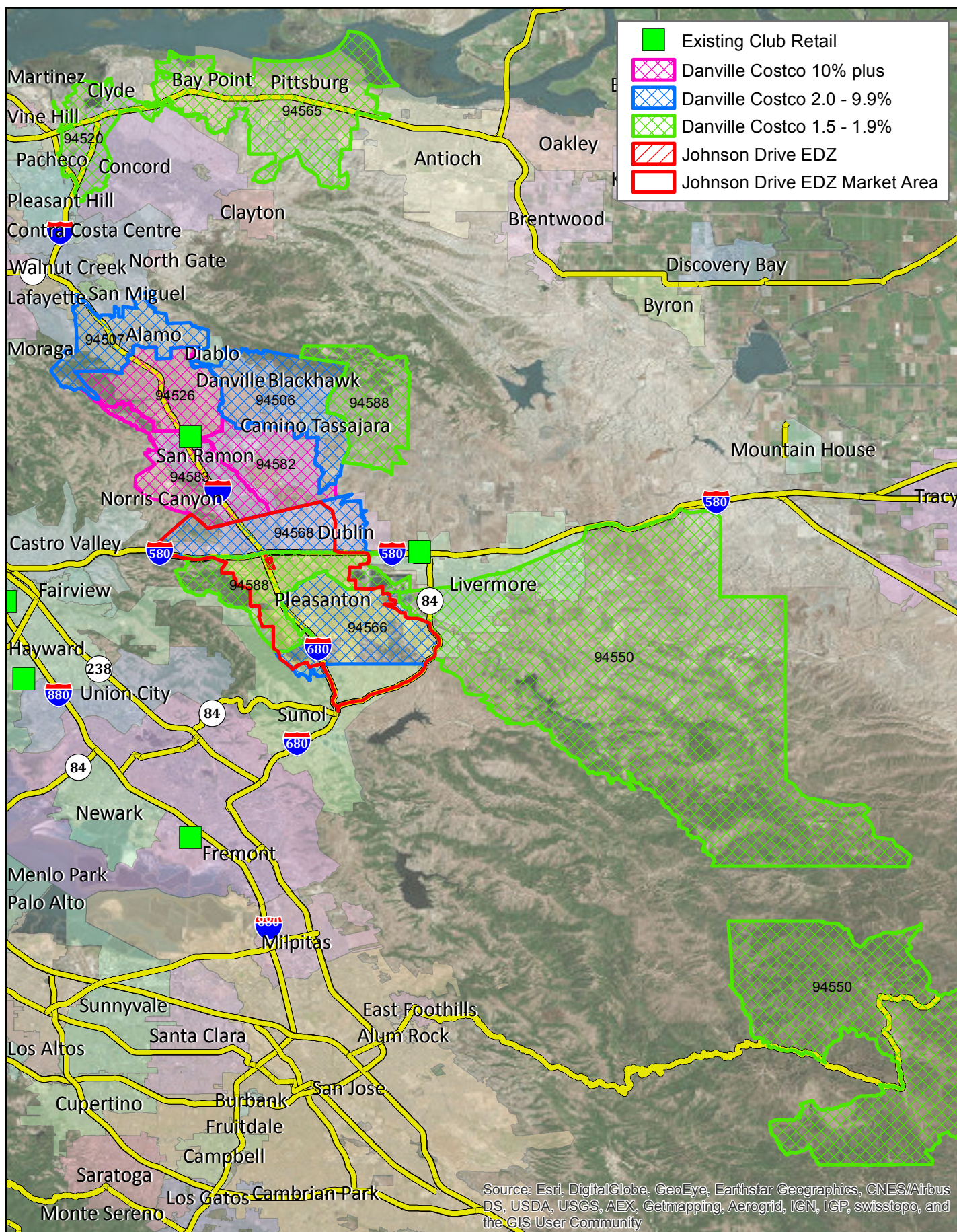
(1) Data reflect trips to the Costco store location measured by mobile devices. Measures individual trips, not individual visitors, i.e., a visitor making 5 trips will be counted in the dataset 5 times, not once.

(2) Dotted line reflects approximate natural break in defining primary market area, the geographic area from which the majority of shoppers originate.

(3) Reflects zip codes that are all or mostly encompassed in the Johnson EDZ Project market area, thus includes shoppers who are anticipated to redirect their club retail shopping trips to the Project's club retail component.



# Exhibit 13: Johnson Drive Economic Development Zone Project Market Area and Danville Costco Shopper Household Zip Codes



0 2.75 5.5 11 Miles



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**Exhibit 14**  
**Livermore Costco**  
**Household Zip Code of Costco Shoppers (1) (2)**  
**2013**

<b>Zip Code</b>	<b>Primary Metro Area</b>	<b>Percent of Visitors</b>	<b>Cumulative Percent of Visitors</b>
94551	San Francisco-Oakland-Fremont, CA	10.80%	10.80%
94550	San Francisco-Oakland-Fremont, CA	9.20%	20.00%
<b>94566 (3)</b>	<b>San Francisco-Oakland-Fremont, CA</b>	<b>5.90%</b>	<b>25.90%</b>
<b>94568 (3)</b>	<b>San Francisco-Oakland-Fremont, CA</b>	<b>4.50%</b>	<b>30.40%</b>
95376	Stockton, CA	4.10%	34.50%
<b>94588 (3)</b>	<b>San Francisco-Oakland-Fremont, CA</b>	<b>3.70%</b>	<b>38.20%</b>
95377	Stockton, CA	2.80%	41.00%
95336	Stockton, CA	1.70%	42.70%
94513	San Francisco-Oakland-Fremont, CA	1.70%	44.40%
94583	San Francisco-Oakland-Fremont, CA	1.50%	45.90%
94541	San Francisco-Oakland-Fremont, CA	1.20%	47.10%
95337	Stockton, CA	1.20%	48.30%
94582	San Francisco-Oakland-Fremont, CA	1.20%	49.50%
95355	Modesto, CA	1.00%	50.50%
95350	Modesto, CA	1.00%	51.50%
95206	Stockton, CA	0.90%	52.40%
94546	San Francisco-Oakland-Fremont, CA	0.80%	53.20%
95391	San Francisco-Oakland-Fremont, CA	0.80%	54.00%
94544	San Francisco-Oakland-Fremont, CA	0.80%	54.80%
94526	San Francisco-Oakland-Fremont, CA	0.80%	55.60%
95351	Modesto, CA	0.80%	56.40%
95330	Stockton, CA	0.80%	57.20%
94505	San Francisco-Oakland-Fremont, CA	0.70%	57.90%
95207	Stockton, CA	0.70%	58.60%
94506	San Francisco-Oakland-Fremont, CA	0.70%	59.30%
95304	Stockton, CA	0.70%	60.00%
95215	Stockton, CA	0.70%	60.70%
95358	Modesto, CA	0.60%	61.30%
94577	San Francisco-Oakland-Fremont, CA	0.60%	61.90%
94536	San Francisco-Oakland-Fremont, CA	0.60%	62.50%
94561	San Francisco-Oakland-Fremont, CA	0.60%	63.10%
95210	Stockton, CA	0.60%	63.70%
95205	Stockton, CA	0.50%	64.20%
94587	San Francisco-Oakland-Fremont, CA	0.50%	64.70%
94538	San Francisco-Oakland-Fremont, CA	0.50%	65.20%
95219	Stockton, CA	0.50%	65.70%
94578	San Francisco-Oakland-Fremont, CA	0.50%	66.20%
94531	San Francisco-Oakland-Fremont, CA	0.50%	66.70%
94545	San Francisco-Oakland-Fremont, CA	0.50%	67.20%
95356	Modesto, CA	0.50%	67.70%
95212	Stockton, CA	0.40%	68.10%
94580	San Francisco-Oakland-Fremont, CA	0.40%	68.50%
95209	Stockton, CA	0.40%	68.90%
95382	Modesto, CA	0.40%	69.30%
94509	San Francisco-Oakland-Fremont, CA	0.40%	69.70%
95204	Stockton, CA	0.40%	70.10%
94523	San Francisco-Oakland-Fremont, CA	0.40%	70.50%
94603	San Francisco-Oakland-Fremont, CA	0.40%	70.90%
95242	Stockton, CA	0.30%	71.20%
94579	San Francisco-Oakland-Fremont, CA	0.30%	71.50%

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**Exhibit 14**  
**Livermore Costco**  
**Household Zip Code of Costco Shoppers (1) (2)**  
**2013**

<b>Zip Code</b>	<b>Primary Metro Area</b>	<b>Percent of Visitors</b>	<b>Cumulative Percent of Visitors</b>
CONTINUED FROM THE PREVIOUS PAGE			
95354	Modesto, CA	0.30%	71.80%
95307	Modesto, CA	0.30%	72.10%
94539	San Francisco-Oakland-Fremont, CA	0.30%	72.40%
94555	San Francisco-Oakland-Fremont, CA	0.30%	72.70%
94601	San Francisco-Oakland-Fremont, CA	0.30%	73.00%
94605	San Francisco-Oakland-Fremont, CA	0.30%	73.30%
94521	San Francisco-Oakland-Fremont, CA	0.30%	73.60%
94501	San Francisco-Oakland-Fremont, CA	0.30%	73.90%
92128	San Diego-Carlsbad-San Marcos, CA	0.30%	74.20%
95363	Modesto, CA	0.30%	74.50%
94560	San Francisco-Oakland-Fremont, CA	0.30%	74.80%
94552	San Francisco-Oakland-Fremont, CA	0.30%	75.10%
94621	San Francisco-Oakland-Fremont, CA	0.30%	75.40%
95035	San Jose-Sunnyvale-Santa Clara, CA	0.30%	75.70%
94565	San Francisco-Oakland-Fremont, CA	0.20%	75.90%
95220	Stockton, CA	0.20%	76.10%
94507	San Francisco-Oakland-Fremont, CA	0.20%	76.30%
95380	Modesto, CA	0.20%	76.50%
95116	San Jose-Sunnyvale-Santa Clara, CA	0.20%	76.70%
95357	Modesto, CA	0.20%	76.90%
94553	San Francisco-Oakland-Fremont, CA	0.20%	77.10%
95127	San Jose-Sunnyvale-Santa Clara, CA	0.20%	77.30%
95361	Modesto, CA	0.20%	77.50%
95122	San Jose-Sunnyvale-Santa Clara, CA	0.20%	77.70%
94404	San Francisco-Oakland-Fremont, CA	0.20%	77.90%
95240	Stockton, CA	0.20%	78.10%
95003	Santa Cruz-Watsonville, CA	0.20%	78.30%
95624	Sacramento--Arden-Arcade--Roseville, CA	0.20%	78.50%
95111	San Jose-Sunnyvale-Santa Clara, CA	0.20%	78.70%
95630	Sacramento--Arden-Arcade--Roseville, CA	0.20%	78.90%
94597	San Francisco-Oakland-Fremont, CA	0.20%	79.10%
95301	Merced, CA	0.20%	79.30%
95758	Sacramento--Arden-Arcade--Roseville, CA	0.20%	79.50%
94598	San Francisco-Oakland-Fremont, CA	0.20%	79.70%
95367	Modesto, CA	0.20%	79.90%
95121	San Jose-Sunnyvale-Santa Clara, CA	0.20%	80.10%
95136	San Jose-Sunnyvale-Santa Clara, CA	0.20%	80.30%
95823	Sacramento--Arden-Arcade--Roseville, CA	0.20%	80.50%
95112	San Jose-Sunnyvale-Santa Clara, CA	0.20%	80.70%
94132	San Francisco-Oakland-Fremont, CA	0.20%	80.90%
29803	Augusta-Richmond County, GA-SC	0.20%	81.10%
94518	San Francisco-Oakland-Fremont, CA	0.20%	81.30%
95123	San Jose-Sunnyvale-Santa Clara, CA	0.10%	81.40%
95051	San Jose-Sunnyvale-Santa Clara, CA	0.10%	81.50%
94606	San Francisco-Oakland-Fremont, CA	0.10%	81.60%
95125	San Jose-Sunnyvale-Santa Clara, CA	0.10%	81.70%
94806	San Francisco-Oakland-Fremont, CA	0.10%	81.80%
94563	San Francisco-Oakland-Fremont, CA	0.10%	81.90%
94596	San Francisco-Oakland-Fremont, CA	0.10%	82.00%
94608	San Francisco-Oakland-Fremont, CA	0.10%	82.10%
CONTINUED ON THE NEXT PAGE			

**Exhibit 14**  
**Livermore Costco**  
**Household Zip Code of Costco Shoppers (1) (2)**  
**2013**

<b>Zip Code</b>	<b>Primary Metro Area</b>	<b>Percent of Visitors</b>	<b>Cumulative Percent of Visitors</b>
CONTINUED FROM THE PREVIOUS PAGE			
94607	San Francisco-Oakland-Fremont, CA	0.10%	82.20%
94520	San Francisco-Oakland-Fremont, CA	0.10%	82.30%
94591	Vallejo-Fairfield, CA	0.10%	82.40%
95231	Stockton, CA	0.10%	82.50%
94618	San Francisco-Oakland-Fremont, CA	0.10%	82.60%
95203	Stockton, CA	0.10%	82.70%
95642		0.10%	82.80%
95126	San Jose-Sunnyvale-Santa Clara, CA	0.10%	82.90%
94086	San Jose-Sunnyvale-Santa Clara, CA	0.10%	83.00%
94589	Vallejo-Fairfield, CA	0.10%	83.10%
95118	San Jose-Sunnyvale-Santa Clara, CA	0.10%	83.20%
94619	San Francisco-Oakland-Fremont, CA	0.10%	83.30%
94803	San Francisco-Oakland-Fremont, CA	0.10%	83.40%
95366	Stockton, CA	0.10%	83.50%
94070	San Francisco-Oakland-Fremont, CA	0.10%	83.60%
94112	San Francisco-Oakland-Fremont, CA	0.10%	83.70%
95131	San Jose-Sunnyvale-Santa Clara, CA	0.10%	83.80%
95124	San Jose-Sunnyvale-Santa Clara, CA	0.10%	83.90%
94502	San Francisco-Oakland-Fremont, CA	0.10%	84.00%
95014	San Jose-Sunnyvale-Santa Clara, CA	0.10%	84.10%
94303	San Jose-Sunnyvale-Santa Clara, CA	0.10%	84.20%
94015	San Francisco-Oakland-Fremont, CA	0.10%	84.30%
94804	San Francisco-Oakland-Fremont, CA	0.10%	84.40%
95148	San Jose-Sunnyvale-Santa Clara, CA	0.10%	84.50%
94109	San Francisco-Oakland-Fremont, CA	0.10%	84.60%
94549	San Francisco-Oakland-Fremont, CA	0.10%	84.70%
93711	Fresno, CA	0.10%	84.80%
94403	San Francisco-Oakland-Fremont, CA	0.10%	84.90%
94610	San Francisco-Oakland-Fremont, CA	0.10%	85.00%
94611	San Francisco-Oakland-Fremont, CA	0.10%	85.10%
95632	Sacramento--Arden-Arcade--Roseville, CA	0.10%	85.20%
93720	Fresno, CA	0.10%	85.30%
94065	San Francisco-Oakland-Fremont, CA	0.10%	85.40%
		<b>85.40%</b>	

Sources: Streetlightdata.com; and ALH Urban & Regional Economics.

(1) Data reflect trips to the Costco store location measured by mobile devices. Measures individual trips, not individual visitors, i.e., a visitor making 5 trips will be counted in the dataset 5 times, not once.

(2) Dotted line reflects approximate natural break in defining primary market area, the geographic area from which the majority of shoppers originate.

(2) Reflects zip codes that are all or mostly encompassed in the Johnson EDZ Project market area, thus includes shoppers who are anticipated to redirect their club retail shopping trips to the Project's club retail component.

**Exhibit 15**
**Johnson Drive Economic Development Zone (EDZ)**
**Retail Project Sales Generated by Market Area Residents net of Recaptured Club Retail Sales (1)**
**2015 Dollars**

Sales Category	Project Sales					
	Phase 1 (2018)		Increment to Buildout (2028)		Total at Full Buildout (2028)	
	Total (2)	Sales Generated by Market Area Residents (3) (4)	Total (2)	Sales Generated by Market Area Residents (3) (4)	Total (2)	Sales Generated by Market Area Residents (3) (4)
<b>General Retail</b>						
Motor Vehicle & Parts Dealers	\$0	\$0	\$0	\$0	\$0	\$0
Home Furnishings & Appliance Stores	\$191,486	\$153,189	\$7,048,093	\$5,638,474	\$7,239,578	\$5,791,663
Building Materials and Garden Equip.	\$178,020	\$142,416	\$6,552,455	\$5,241,964	\$6,730,475	\$5,384,380
Food and Beverage Stores	\$0	\$0	\$0	\$0	\$0	\$0
Gasoline Stations	\$0	\$0	\$0	\$0	\$0	\$0
Clothing and Clothing Accessories Stores	\$457,153	\$365,722	\$16,826,611	\$13,461,289	\$17,283,764	\$13,827,011
General Merchandise	\$176,420	\$141,136	\$6,493,576	\$5,194,861	\$6,669,997	\$5,335,998
Food Services and Drinking Places	\$361,061	\$288,849	\$13,289,717	\$10,631,773	\$13,650,778	\$10,920,622
Other Retail	\$509,418	\$407,534	\$18,750,349	\$15,000,279	\$19,259,767	\$15,407,814
<b>Subtotal</b>	<b>\$1,873,558</b>	<b>\$1,498,846</b>	<b>\$68,960,801</b>	<b>\$55,168,640</b>	<b>\$70,834,359</b>	<b>\$56,667,487</b>
<b>Club Retail</b>						
Motor Vehicles and Parts Dealers	\$7,485,062	\$3,143,726	\$0	\$0	\$7,485,062	\$3,143,726
Home Furnishings and Appliance Stores	\$10,523,552	\$4,419,892	\$0	\$0	\$10,523,552	\$4,419,892
Building Materials and Garden Equip.	\$6,299,309	\$2,645,710	\$0	\$0	\$6,299,309	\$2,645,710
Food and Beverage Stores	\$76,369,862	\$32,075,342	\$0	\$0	\$76,369,862	\$32,075,342
Gasoline Stations	\$14,947,712	\$6,278,039	\$0	\$0	\$14,947,712	\$6,278,039
Clothing and Clothing Accessories Stores	\$4,817,119	\$2,023,190	\$0	\$0	\$4,817,119	\$2,023,190
General Merchandise Stores	\$11,524,031	\$4,840,093	\$0	\$0	\$11,524,031	\$4,840,093
Food Services and Drinking Places	\$592,876	\$249,008	\$0	\$0	\$592,876	\$249,008
Other Retail Group	\$17,608,422	\$7,395,537	\$0	\$0	\$17,608,422	\$7,395,537
<b>Subtotal</b>	<b>\$150,167,946</b>	<b>\$63,070,537</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,167,946</b>	<b>\$63,070,537</b>
<b>TOTAL</b>	<b>\$152,041,504</b>	<b>\$64,569,384</b>	<b>\$68,960,801</b>	<b>\$55,168,640</b>	<b>\$221,002,305</b>	<b>\$119,738,024</b>

Source: ALH Urban &amp; Regional Economics.

(1) This pertains to the share of Project sales anticipated to be generated by households residing in the market area. Sales generated by households or other consumers living outside the market area are not subject to diversion from market area retailers, and thus are not included in the analysis. This also excludes club retail sales made to wholesale customers with resale licenses. See footnote (4) regarding the recaptured sales assumption.

(2) See Exhibit 9 for General Retail sales and Exhibit 10 for Club Retail sales.

(3) ALH Urban & Regional Economics estimates that the majority but not all sales at the Johnson Drive EDZ will be generated by market area consumers, with additional sales attributed to consumers residing outside of the market area. The percentage of sales estimated to be generated by market area residents is estimated as 80% for the General Retail portion of the Project.

(4) The study assumption is that 60% of demand for the Johnson Drive EDZ club retail sales made to retail consumers (vs. wholesale) will be generated by market area residents. This is a lower percentage than for the General Retail because of the distance shoppers are anticipated to travel to shop at a club retail store, pursuant to market area findings documented in the study text regarding the market area draw for two nearby club retail stores, e.g., Costco stores in Danville and Livermore. The study further assumes that of the sales generated by market area residents, 30% of these sales will comprise sales recaptured from other regional club retail stores. The basis for this assumption is also discussed in the study text.



**Exhibit 16**  
**Representative Existing Shopping Areas**  
**Cities of Pleasanton and Dublin**  
**February 2016**

Map No. (1)	Name	Address	City	Estimated Sq. Ft.	Select Major Anchors/Tenants (2)	Vacancies (3)	Driving Distance to Site (miles)
1	Pleasanton Square Shopping Center	6000 Johnson Dr	Pleasanton	205,000	Home Depot, Smart & Final Extra, BevMol, In N Out JC Penney Home, Office Max, Cost Plus, Taco Bell, Togos, medical supply, Red Cross, medical supplies, cosmetology school, liquor store, beauty supply, Chinese restaurant, dental, cleaners, salon	No visible	0.9
2	JC Penney Plaza	5532 Springdale Avenue	Pleasanton	163,469	Chili's, Kelly Moore Paint, Round Table	Three small	1.4
3	Gateway Square	4801 Hopyard Rd	Pleasanton	88,000	Sweet Tomatoes, Starbucks, Subway, Red Smoke Grill, Honey Baked Ham	Four small	1.5
4	The Crossroads Shopping Center	4555 Hopyard Rd	Pleasanton	unknown	Macy's, Sears, Nordstrom, JCPenney	No visible	1.6
5	Stoneridge Shopping Center	1 Stoneridge Mall Rd	Pleasanton	1,300,000	Lucky	No visible	2.1
6	Val Vista Center	6027 W Las Positas Blvd	Pleasanton	unknown	Walmart, Kohl's, Party City	No visible	2.1
7	Metro 580	4500 Rosewood Dr	Pleasanton	176,510	Gene's Fine Food, Rite Aid, Little Caesar's	No visible	2.6
8	Gene's Fine Food/Rite Aid	2803 Hopyard Rd	Pleasanton	unknown	The Hopyard, Peet's Ale House, Mr. Pickle's, All Star Sports, Bill's Café	One medium (former Straw Hat Pizza)	2.7
9	Hopyard Village	3015 Hopyard Rd	Pleasanton	65,000	Whole Foods, HomeGoods, Nordstrom Rack, Sur la Table, Starbucks, Ethan Allen	No visible	2.8
10	Persimmon Place	5200 Dublin Blvd	Dublin	152,500	Mike's camera	One small, a new sandwich shop (Firehouse subs) appears to be filling the space	3.0
11	Almond Plaza	7154-7216 Regional Street	Dublin	unknown	Target, Toys R Us, Bassett Furniture, Hobby Lobby, PetsMart, Elephant Bar	Two small vacancies	3.0
12	Dublin Center	7884 Dublin Blvd	Dublin	154,470	DSW Shoes, Marshalls, Michaels, Ross, OSH hardware	No visible	3.0
13	Dublin Plaza Center	7193-7201 Regional St	Dublin	155,070	CVS, 99 Ranch, Sports Authority, Savers Thrift Store, Aaron Brothers	One large, estimated to be 30,000 sf (former Design Outlet)	3.1
14	Dublin Place	Amador Plaza Rd	Dublin	283,500	Lamp's Plus, Waffle Shop	Three: One large (former Grocery Outlet), medium (former Cocos restaurant), and one small	3.1
15	Lamps Plus Plaza	7214-7256 San Ramon Road	Dublin	unknown	Domino's Pizza, Tuesday Morning	One small (former Dublin Sports Pub & Grill)	3.1
16	Santa Rita Square	3170 Santa Rita Rd	Pleasanton	47,000	Walmart Neighborhood Market, H&R Block, Mountain Mike's	No visible	3.2
17	Meadow Plaza	3112 Santa Rita Rd	Pleasanton	unknown	Dollar Tree, Big Lots, World of Shoes	No visible	3.2
18	Shamrock Village	7995 Amador Valley Blvd	Dublin	78,308	Royal Novelties, Dublin Jewelers	No visible	3.2
19	Valley Center Shopping Center	7459 Amador Valley Blvd	Dublin	unknown	Sprouts, Jo-Ann Fabrics, REI, Chuck E. Cheese's	No visible	3.2
20	Amador Plaza	7153 Amador Plz Rd	Dublin	unknown	Safeway, Panda Express, Yogurtland, Supercuts	No visible	3.2
21	Safeway Center	7499 Dublin Boulevard	Dublin	unknown	TJ Maxx, Best Buy, Babies R Us, Old Navy, Pier 1, Barnes & Noble, Any Mountain, Ulta Beauty, Bed, Bath & Beyond	One junior-to-large space, estimate at approximately 15,000 sq ft (former Party City)	3.2
22	Hacienda Crossings	4820 Dublin Blvd	Dublin	unknown	Tomatina, Papa John's	One small	3.3
23	Dublin Corners	4552 Dublin Blvd	Dublin	46,200	Macy's Furniture, Golfsmith, Dollar Tree, Fitness 19, 99 Ranch, CVS	Four: 18,840 (former Ethan Allen), 15,493 (former Fresh & Easy), 28,530 (former CVS, built new store in newer section of the shopping center), & 2,366 sf	3.4
24	Rose Pavilion	4225 Rosewood Dr	Pleasanton	189,000	Trader Joe's, Subway	One: 5,000 sf	3.5
25	Pimlico Plaza	4040 Pimlico Dr	Pleasanton	26,000	Mission Plaza Café, Papa Murphy's	One small (former Elevated	3.6
26	Mission Plaza	1987 Santa Rita Rd	Pleasanton	unknown	Safeway, Walgreens, Chevron	Holistics)	3.6
27	Amador Center	1787 Santa Rita Rd	Pleasanton	unknown	Hardware store, 7-11, KFC, Jack in the Box	No visible	3.7
28	Valley Plaza	4307 Valley Ave	Pleasanton	9,502	Dicky's BBQ, State Farm Office, Round Table Pizza	One	3.8
29	Bernal Plaza	Bernal Ave and Valley Ave	Pleasanton	35,722	Safeway, CVS, Mike's Bikes	Two: one medium, one small	3.9
30	Pleasanton Gateway	6750 Bernal Ave	Pleasanton	126,000	Variety of specialty retailers, restaurants, hotels	One small	4.0
31	Downtown Pleasanton	Main Street area	Pleasanton	unknown	Lowe's, Buffalo Wild Wings	Approximately 4, many leased	4.3
32	Grafton Station	Dublin Blvd and I-580	Dublin	240,000	Safeway, Blush, Amici's, Unleashed	One medium	4.3
33	Shops at Waterford	4440 Tassajara Rd	Dublin	127,000	Cole's Market, Bob's Burger, Medicine Shoppe	No visible	4.4
34	Pleasant Plaza	4235 First St	Pleasanton	unknown	Target, Dick's Sporting Goods, BJ's	No visible	4.5
35	Fallon Gateway	Fallon and Dublin	Dublin	379,053	Raley's, Mountain Mike's, Subway, Gymboree, Taco Bell	No visible	5.3
36	Oak Hills Shopping Center	5424 Sunol Blvd	Pleasanton	120,000	New Leaf Market, Platinum Fitness	One small-to-medium (former needlepoint/craft store)	5.4
37	Vintage Hills Shopping Center	3500 Bernal Ave	Pleasanton	70,000		No visible	5.7

Sources: Shopping center websites; local broker websites; GoogleMaps; and ALH Urban & Regional Economics.

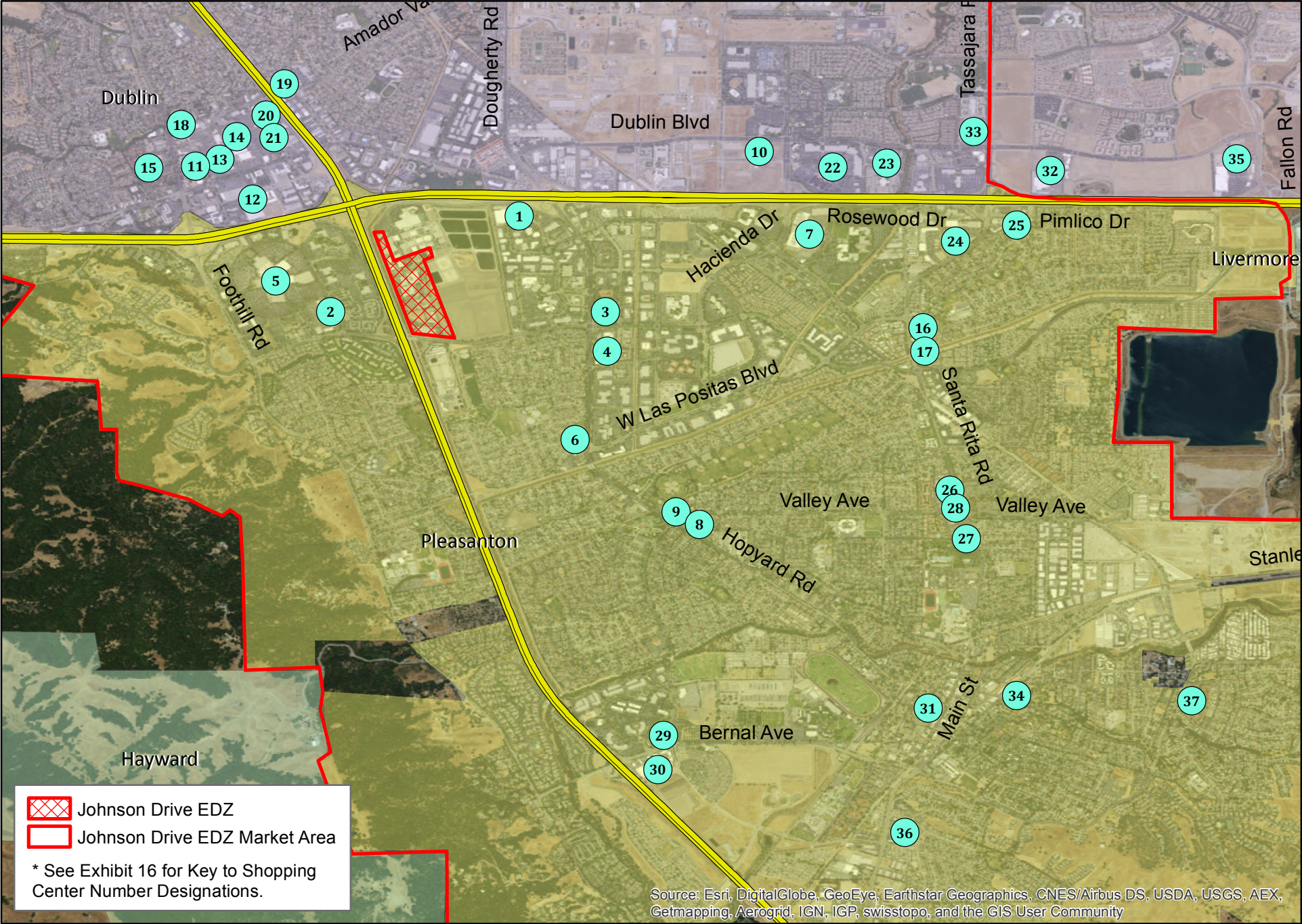
(1) The shopping center map is in following Exhibit 17.

(2) Does not include every tenant within each center. Notes maintained in the ALH Urban & Regional Economics files reference additional shopping center tenants.

(3) Includes the size of the vacant space(s), if the information was available.



Exhibit 17: Johnson Drive Economic Development Zone Project and Area Shopping Centers\*



This map contains information from sources we believe to be reliable, but we make no representation, warranty, or guarantee of its accuracy. This map is published for the use of ALH Urban & Regional Economics and its clients only. Redistribution in whole or part to any third party without the prior written consent of ALH Urban & Regional Economics is strictly prohibited.

Exhibit 18

Johnson Drive Economic Development Zone (EDZ)

Market Area, City of Pleasanton, and City of Dublin Population and Household Estimates and Projections (1) (2)

2015-2030

Geographic Area	2015	2018	2020	2025	2028	2030	Aggregate Growth		Average Annual Growth Rate	
							2015-2020	2025-2030	2015-2020	2025-2030
Population										
City of Pleasanton	73,500	75,463	76,800	80,200	82,400	83,900	3,300	3,700	0.9%	0.9%
City of Dublin	50,000	52,479	54,200	58,700	61,535	63,500	4,200	4,800	1.6%	1.6%
Market Area (3)	113,799	117,774	120,502	127,647	132,154	135,247	6,703	7,600	1.2%	1.2%
Households										
City of Pleasanton	26,400	27,108	27,590	28,730	29,450	29,940	1,190	1,210	0.9%	0.8%
City of Dublin	16,340	17,201	17,800	19,200	20,081	20,690	1,460	1,490	1.7%	1.5%
Market Area (3)	39,409	40,824	41,796	44,071	45,504	46,485	2,387	2,414	1.2%	1.1%

Sources: Association of Bay Area Governments (ABAG), "Population & Household Projections 2013"; ABAG census tract level projections for Alameda County corresponding with Projections 2013; and ALH Urban & Regional Economics.

(1) Figures in bold are provided by ABAG.

(2) The interim years of 2018 and 2028, which also constitute timing for Phase 1 and Full Buildout, respectively, were calculated using the average annual growth rate.

(3) See Exhibit B-4 for the census tracts and demographic allocations that comprise the Market Area.



**Exhibit 19**  
**Market Area Retail Spending Potential (1)**  
**Existing Retail Demand, 2015**  
**2015 Dollars**

<b>Type of Retailer</b>	<b>Per Household Demand (2)</b>	<b>Total Market Area Demand (3)</b>
Motor Vehicles and Parts Dealers	\$5,048	\$198,953,370
Home Furnishings and Appliance Stores	\$1,887	\$74,361,975
Building Materials and Garden Equip (4)	\$2,204	\$86,854,774
Food and Beverage Stores	\$6,260	\$246,685,096
Gasoline Stations	\$4,222	\$166,395,029
Clothing and Clothing Accessories Stores	\$2,593	\$102,183,043
General Merchandise Stores	\$5,092	\$200,675,116
Food Services and Drinking Places	\$4,662	\$183,706,767
Other Retail Group (5)	\$4,590	\$180,888,083
<b>Total</b>	<b>\$36,558</b>	<b>\$1,440,703,255</b>

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2015 dollars.

(2) The per household spending estimates for the market area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 market area household income figure of \$146,232 and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-5.

(3) Represents per household spending multiplied by the respective household count in Exhibit 18.

(4) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(5) Other Retail Group includes drug stores, electronics, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, electronics, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

**Exhibit 20**  
**Retail Demand Generated by Market Area Household Growth**  
**2015-2018 and 2018-2028 (1)**  
**2015 Dollars**

	Market Area			
	Per Household Demand (2)	New Growth 2015-2018 Phase 1 (3)	New Growth 2018 - 2028 Incremental Full Buildout	Cumulative New Growth at Full Buildout
Type of Retailer	[A]	[B = A x 1,415]	[C = A x 4,680]	[D = B + C]
Motor Vehicles and Parts Dealers	\$5,048	\$7,145,800	\$23,624,382	\$30,770,182
Home Furnishings and Appliance Stores	\$1,887	\$2,670,856	\$8,829,987	\$11,500,843
Building Materials and Garden Equip .	\$2,204	\$3,119,560	\$10,313,423	\$13,432,983
Food and Beverage Stores	\$6,260	\$8,860,179	\$29,292,205	\$38,152,384
Gasoline Stations	\$4,222	\$5,976,404	\$19,758,297	\$25,734,700
Clothing and Clothing Accessories Stores	\$2,593	\$3,670,104	\$12,133,553	\$15,803,657
General Merchandise Stores	\$5,092	\$7,207,640	\$23,828,828	\$31,036,468
Food Services and Drinking Places	\$4,662	\$6,598,189	\$21,813,950	\$28,412,138
Other Retail Group	\$4,590	\$6,496,950	\$21,479,250	\$27,976,200
<b>Total</b>	<b>\$36,558</b>	<b>\$51,745,682</b>	<b>\$171,073,874</b>	<b>\$222,819,555</b>

Source: ALH Urban & Regional Economics.

- (1) The year increment represents the base time period and the anticipated completion of Phase 1 in 2028 and the Incremental Full Buildout in 2028.
- (2) The per household spending estimates for the Market Area were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$146,232 for 2015 from Nielsen Reports and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-5.
- (3) Represents per household spending multiplied by the respective increase in households. The net increase in market area households is estimated at 1,415 between 2015 and 2018 and 4,680 between 2018 and 2028. See Exhibit 18 for household projections.

**Exhibit 21**  
**Existing and Future Market Area Retail Demand by Category**  
**2015, 2018, and 2028**

Type of Retailer	Existing 2015 (1)	Incremental Phase 1 2015-2018 (2)	Incremental Full Buildout 2018-2028 (2)	Total Full Buildout
<b>In Dollars</b>				
Motor Vehicles and Parts Dealers	\$198,953,370	\$7,145,800	\$23,624,382	\$229,723,552
Home Furnishings and Appliance Stores	\$74,361,975	\$2,670,856	\$8,829,987	\$85,862,819
Building Materials and Garden Equip	\$86,854,774	\$3,119,560	\$10,313,423	\$100,287,757
Food and Beverage Stores	\$246,685,096	\$8,860,179	\$29,292,205	\$284,837,480
Gasoline Stations	\$166,395,029	\$5,976,404	\$19,758,297	\$192,129,729
Clothing and Clothing Accessories Stores	\$102,183,043	\$3,670,104	\$12,133,553	\$117,986,700
General Merchandise Stores	\$200,675,116	\$7,207,640	\$23,828,828	\$231,711,584
Food Services and Drinking Places	\$183,706,767	\$6,598,189	\$21,813,950	\$212,118,906
Other Retail Group	\$180,888,083	\$6,496,950	\$21,479,250	\$208,864,283
<b>Total</b>	<b>\$1,440,703,255</b>	<b>\$51,745,682</b>	<b>\$171,073,874</b>	<b>\$1,663,522,810</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 19.

(2) See Exhibit 20.

**Exhibit 22**  
**City of Pleasanton Taxable Sales Estimate**  
**in Current Dollars**  
**Fourth Quarter 2013 Through Third Quarter 2014**  
**(in \$000s)**

Type of Retailer	BOE Taxable Sales Estimate in \$000s (1)					City of Pleasanton Taxable Sales Adjusted to Total Retail
	Q4 2013 [A]	Q1 2014 [B]	Q2 2014 [C]	Q3 2014 [D]	Total Taxable Sales City of Pleasanton [E = A + B + C + D]	
Motor Vehicle & Parts Dealers	\$79,549	\$73,363	\$81,566	\$83,887	\$318,365	\$318,365
Home Furnishings & Appliances	\$18,548	\$15,187	\$14,907	\$19,510	\$68,152	\$68,152
Building Materials & Garden Equipment	\$13,312	\$12,913	\$15,483	\$13,919	\$55,627	\$55,627
Food & Beverage Stores	\$20,736	\$14,427	\$16,444	\$16,205	\$67,812	\$226,040 (2)
Gasoline Stations	\$27,679	\$28,142	\$32,023	\$30,260	\$118,104	\$118,104
Clothing & Clothing Accessories	\$66,629	\$43,242	\$51,516	\$51,758	\$213,145	\$213,145
General Merchandise Stores	\$68,579	\$42,583	\$49,723	\$47,810	\$208,695	\$278,260 (3)
Food Services & Drinking Places	\$42,685	\$41,927	\$46,792	\$47,546	\$178,950	\$178,950
Other Retail Group	\$29,481	\$21,572	\$25,641	\$27,670	\$104,364	\$132,456 (4)
<b>Total (5)</b>	<b>\$367,198</b>	<b>\$293,356</b>	<b>\$334,095</b>	<b>\$338,565</b>	<b>\$1,333,214</b>	<b>\$1,589,099</b>

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" reports, for Fourth Quarter 2013, First Quarter 2014, Second Quarter 2014, and Third Quarter 2014; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In Alameda County, drug store sales in Q4 2013, Q1 2014, Q2 2014, and Q3 2014 represented approximately 13.26% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) Totals may not add up due to rounding.

**Exhibit 23**  
**City of Pleasanton**  
**Adjusted Retail Sales Base**  
**2015 Estimate**

Type of Retailer	City of Pleasanton Sales Base			Sales per Household 2015 (4) [D = C / # of HH]
	2013/2014 (1) (2)	Increase to Q2 2015 (3)	Approx. 2015 Estimate	
	[A]	[B]	[C = A x (1+ B) ]	
Motor Vehicles & Parts Dealers	\$318,365,000	16.8%	\$371,772,285	\$14,082
Home Furnishings & Appliance Stores	\$68,152,000	17.7%	\$80,219,808	\$3,039
Building Materials & Garden Equipment	\$55,627,000	0.5%	\$55,922,945	\$2,118
Food & Beverage Stores	\$226,040,000	(5.0%)	\$214,706,247	\$8,133
Gasoline Stations	\$118,104,000	(16.5%)	\$98,636,079	\$3,736
Clothing & Clothing Accessories Stores	\$213,145,000	(21.2%)	\$167,916,281	\$6,360
General Merchandise Stores	\$278,260,000	(0.8%)	\$275,983,525	\$10,454
Food Services & Drinking Places	\$178,950,000	5.7%	\$189,104,889	\$7,163
Other Retail Group	\$132,455,794	4.9%	\$138,913,629	\$5,262
<b>Total</b>	<b>\$1,589,098,794</b>	<b>0.3%</b>	<b>\$1,593,175,688</b>	<b>\$60,348</b>

Sources: Hinderliter de Llamas (HdL) City of Pleasanton Sales Tax Data for Q2 2015 and Q2 2014; and ALH Urban & Regional Economics.

(1) See Exhibit 22.

(2) Reflects sales for fourth quarter 2013 through third quarter 2014.

(3) The sales base is adjusted pursuant to analysis of recent retail sales trends for the City of Pleasanton (i.e., second quarter 2015 and second quarter 2014). This is the most recent sales performance data available through the City's tax consultant.

(4) The City of Pleasanton had an estimated 26,400 households in early 2015. See Exhibit 18.



**Exhibit 24**  
**City of Pleasanton**  
**Retail Demand, Sales Attraction, and Spending Analysis (1)**  
**2015**

Type of Retailer	Per Household		City of Pleasanton Household Spending (4)	City of Pleasanton Sales (3)	Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3) (4)			Amount	Percent
Motor Vehicles and Parts Dealers	\$5,287	\$14,082	\$139,566,433	\$371,772,285	\$232,205,851	62.5%
Home Furnishings and Appliance Stores	\$1,976	\$3,039	\$52,165,167	\$80,219,808	\$28,054,642	35.0%
Building Materials and Garden Equip (5)	\$2,308	\$2,118	\$60,928,906	\$55,922,945	(\$5,005,960)	(8.2%)
Food and Beverage Stores	\$6,555	\$8,133	\$173,050,394	\$214,706,247	\$41,655,853	19.4%
Gasoline Stations	\$4,421	\$3,736	\$116,726,652	\$98,636,079	(\$18,090,573)	(15.5%)
Clothing and Clothing Accessories Stores	\$2,715	\$6,360	\$71,681,736	\$167,916,281	\$96,234,545	57.3%
General Merchandise Stores	\$5,332	\$10,454	\$140,774,244	\$275,983,525	\$135,209,281	49.0%
Food Services and Drinking Places	\$4,881	\$7,163	\$128,870,892	\$189,104,889	\$60,233,997	31.9%
Other Retail Group (6)	\$4,807	\$5,262	\$126,893,576	\$138,913,629	\$12,020,053	8.7%
<b>Total</b>	<b>\$38,283</b>	<b>\$60,348</b>	<b>\$1,010,658,000</b>	<b>\$1,593,175,688</b>	<b>\$582,517,688</b>	<b>36.6%</b>

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2015 dollars.

(2) The per household spending estimates for the City of Pleasanton were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$153,130 for 2015 from Nielsen Reports and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-5.

(3) See Exhibit 23.

(4) Represents per household spending multiplied by the respective household count for the City of Pleasanton of 26,400.

(5) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(6) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

**Exhibit 25**  
**City of Dublin Taxable Sales Estimate**  
**in Current Dollars**  
**Fourth Quarter 2013 Through Third Quarter 2014**  
**(in \$000s)**

Type of Retailer	BOE Taxable Sales Estimate in \$000s (1)				Total Taxable Sales City of Dublin	City of Dublin Taxable Sales Adjusted to Total Retail
	Q4 2013 [A]	Q1 2014 [B]	Q2 2014 [C]	Q3 2014 [D]	[E = A + B + C + D]	
Motor Vehicle & Parts Dealers	\$129,476	\$117,659	\$135,595	\$141,701	\$524,431	\$524,431
Home Furnishings & Appliances	\$40,640	\$32,395	\$31,271	\$32,351	\$136,657	\$136,657
Building Materials & Garden Equipment	\$15,988	\$16,098	\$20,844	\$19,685	\$72,615	\$72,615
Food & Beverage Stores	\$8,507	\$6,707	\$7,114	\$6,893	\$29,221	\$97,403 (2)
Gasoline Stations	\$25,658	\$24,886	\$29,476	\$27,623	\$107,643	\$107,643
Clothing & Clothing Accessories	\$23,345	\$17,560	\$20,088	\$19,686	\$80,679	\$80,679
General Merchandise Stores	\$45,483 (3)	\$30,643 (3)	\$34,812 (3)	\$35,435 (3)	\$146,372	\$195,163 (4)
Food Services & Drinking Places	\$38,193	\$36,896	\$39,520	\$40,585	\$155,194	\$155,194
Other Retail Group	\$13,037 (3)	\$12,832 (3)	\$15,536 (3)	\$15,013 (3)	\$56,419	\$71,605 (5)
<b>Total (6)</b>	<b>\$340,327</b>	<b>\$295,676</b>	<b>\$334,256</b>	<b>\$338,972</b>	<b>\$1,309,231</b>	<b>\$1,441,390</b>

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax)" reports, for Fourth Quarter 2013, First Quarter 2014, Second Quarter 2014, and Third Quarter 2014; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the State of California Board of Equalization (BOE).

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) The BOE omits certain sales because their publication would result in the disclosure of confidential information. ALH Urban & Regional Economics estimated the missing category sales figures. See Exhibit B-7.

(4) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes 26% of General Merchandise Stores sales to food.

(5) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In Alameda County, drug store sales in Q4 2013, Q1 2014, Q2 2014, and Q3 2014 represented approximately 13.26% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(6) Totals may not add up due to rounding.

**Exhibit 26**  
**City of Dublin**  
**Adjusted Retail Sales Base**  
**2015 Estimate**

Type of Retailer	City of Dublin Sales Base			Sales per
	2013 (1) (2)	Increase to	Approx. 2015	Household 2015
	[A]	2015 (3)	Estimate	(4)
		[B]	[C = A x (1+ B) ]	[D = C / # of HH]
Motor Vehicles & Parts Dealers	\$524,431,000	1.17%	\$530,543,517	\$32,469
Home Furnishings & Appliance Stores	\$136,657,000	1.17%	\$138,249,809	\$8,461
Building Materials & Garden Equipment	\$72,615,000	1.17%	\$73,461,366	\$4,496
Food & Beverage Stores	\$97,403,333	1.17%	\$98,538,620	\$6,031
Gasoline Stations	\$107,643,000	(16.5%)	\$89,899,440	\$5,502
Clothing & Clothing Accessories Stores	\$80,679,000	1.17%	\$81,619,356	\$4,995
General Merchandise Stores	\$195,162,870	1.17%	\$197,437,596	\$12,083
Food Services & Drinking Places	\$155,194,000	1.17%	\$157,002,867	\$9,608
Other Retail Group	\$71,605,182	1.17%	\$72,439,778	\$4,433
<b>Total</b>	<b>\$1,441,390,385</b>	<b>-0.15%</b>	<b>\$1,439,192,348</b>	<b>\$88,078</b>

Sources: Bureau of Labor Statistics Consumer Price Index West Urban; and ALH Urban & Regional Economics.

(1) See Exhibit 25.

(2) Reflects sales for fourth quarter 2013 through third quarter 2014.

(3) The sales base is adjusted pursuant to the annual urban west Consumer Price Index 2014 to 2015 with the exception of gas prices. ALH Urban & Regional Economics estimates that gas prices would decline similar to the City of Pleasanton and used the same adjustment figure (see Exhibit 23).

(4) The City of Dublin had an estimated 16,340 households in early 2015. See Exhibit 18.

**Exhibit 27**  
**City of Dublin**  
**Retail Demand, Sales Attraction, and Spending Analysis (1)**  
**2015**

Type of Retailer	Per Household		Dublin Household		Retail Sales Attraction/(Leakage)	
	Spending (2)	Sales (3) (4)	Spending (4)	Dublin Sales (3)	Amount	Percent
Motor Vehicles and Parts Dealers	\$4,841	\$32,469	\$79,100,419	\$530,543,517	\$451,443,098	85.1%
Home Furnishings and Appliance Stores	\$1,809	\$8,461	\$29,565,035	\$138,249,809	\$108,684,773	78.6%
Building Materials and Garden Equip (5)	\$2,113	\$4,496	\$34,531,956	\$73,461,366	\$38,929,409	53.0%
Food and Beverage Stores	\$6,002	\$6,031	\$98,077,728	\$98,538,620	\$460,892	0.5%
Gasoline Stations	\$4,049	\$5,502	\$66,155,786	\$89,899,440	\$23,743,654	26.4%
Clothing and Clothing Accessories Stores	\$2,486	\$4,995	\$40,626,211	\$81,619,356	\$40,993,145	50.2%
General Merchandise Stores	\$4,883	\$12,083	\$79,784,956	\$197,437,596	\$117,652,640	59.6%
Food Services and Drinking Places	\$4,470	\$9,608	\$73,038,634	\$157,002,867	\$83,964,233	53.5%
Other Retail Group (6)	\$4,401	\$4,433	\$71,917,974	\$72,439,778	\$521,804	0.7%
<b>Total</b>	<b>\$35,055</b>	<b>\$88,078</b>	<b>\$572,798,700</b>	<b>\$1,439,192,348</b>	<b>\$866,393,648</b>	<b>60.2%</b>

Source: ALH Urban & Regional Economics.

(1) All figures are expressed in 2015 dollars.

(2) The per household spending estimates for the City of Dublin were generated by ALH Urban & Regional Economics by taking the estimated average 2015 area household income figure of \$140,220 for 2015 from Nielsen Reports and multiplying by 25%, utilizing the assumption that 25% of household income is spent on BOE type retail. This figure was then multiplied by the percentages calculated from the ratio of the BOE sales for the State of California. See Exhibit B-5.

(3) See Exhibit 26.

(4) Represents per household spending multiplied by the respective household count for Paradise of 16,340.

(5) Building Materials and Garden Equipment includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, lawn and garden equipment, and lumber.

(6) Other Retail Group includes drug stores, health and personal care, pet supplies, gifts, art goods and novelties, sporting goods, florists, musical instruments, stationary and books, office and school supplies, second-hand merchandise, and miscellaneous other retail stores.

**Exhibit 28**  
**Johnson Drive Economic Development Zone (EDZ) Sales Impacts**  
**Incremental Impact on Existing Retail Sales Base Inclusive of Future Demand to 2018**  
**Cities of Pleasanton and Dublin**  
**2015 Dollars**

Retail Category	Johnson Drive EDZ Market Area- Generated Project Sales (1)	New Market Area Demand 2015-2018 (2)	Project Sales in Excess of New Market Area Demand (3)	Remaining Demand Available for Retail Backfilling	Market Area Sales Impacts Inclusive of Future Demand	
					Pleasanton & Dublin Existing Combined Sales Base (4)	Sales Impact % of Pleasanton & Dublin Combined Sales Base
	[A]	[B]	[C = A - B if >0]	[D = B - A if >0]	[E]	[F = C / E]
Motor Vehicle & Parts Dealers	\$3,143,726	\$7,145,800	\$0	\$4,002,074	\$902,315,802	0.0%
Home Furnishings & Appliances	\$4,573,080	\$2,670,856	\$1,902,224	\$0	\$218,469,617	0.9%
Building Materials & Garden Equipment	\$2,788,126	\$3,119,560	\$0	\$331,434	\$129,384,311	0.0%
Food & Beverage Stores	\$32,075,342	\$8,860,179	\$23,215,163	\$0	\$313,244,867	7.4%
Gasoline Stations	\$6,278,039	\$5,976,404	\$301,636	\$0	\$188,535,518	0.2%
Clothing & Clothing Accessories	\$2,388,912	\$3,670,104	\$0	\$1,281,192	\$249,535,637	0.0%
General Merchandise Stores	\$4,981,229	\$7,207,640	\$0	\$2,226,411	\$473,421,120	0.0%
Food Services & Drinking Places	\$537,857	\$6,598,189	\$0	\$6,060,332	\$346,107,757	0.0%
Other Retail Group	\$7,803,072	\$6,496,950	\$1,306,122	\$0	\$211,353,407	0.6%
<b>Total</b>	<b>\$64,569,384</b>	<b>\$51,745,682</b>	<b>\$26,725,145</b>	<b>\$13,901,443</b>	<b>\$3,032,368,036</b>	<b>0.9%</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 15 for market area generated sales.

(2) See Exhibit 20.

(3) Comprises the level of net Johnson Drive EDZ market-area-generated sales not anticipated to be absorbed by new demand occurring between the 2015 baseline period and 2018, the projected first full year of operations for Phase 1 of the Project. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in the Market Area in order for the Johnson Drive EDZ Project to achieve its assumed level of sales generated by Market Area residents, assuming only Market Area establishments experience sales impacts.

(4) See Exhibits 23 and 26.

**Exhibit 29**  
**Johnson Drive Economic Development Zone (EDZ) Sales Impacts**  
**Incremental Impact on Existing Retail Sales Base Inclusive of Future Demand from 2018 to 2028**  
**Cities of Pleasanton and Dublin**  
**2015 Dollars**

Retail Category	Johnson Drive EDZ Market Area- Generated Project Sales (1)	New Market Area Demand 2018-2028 (2)	Project Sales in Excess of New Market Area Demand (3)	Remaining Demand Available for Retail Backfilling	Market Area Sales Impacts Inclusive of Future Demand	
					Pleasanton & Dublin Existing Combined Sales Base (4)	Sales Impact % of Pleasanton & Dublin Combined Sales Base
	[A]	[B]	[C = A - B if >0]	[D = B - A if >0]	[E]	[F = C / E]
Motor Vehicle & Parts Dealers	\$0	\$23,624,382	\$0	\$23,624,382	\$902,315,802	0.0%
Home Furnishings & Appliances	\$5,638,474	\$8,829,987	\$0	\$3,191,513	\$218,469,617	0.0%
Building Materials & Garden Equipment	\$5,241,964	\$10,313,423	\$0	\$5,071,460	\$129,384,311	0.0%
Food & Beverage Stores	\$0	\$29,292,205	\$0	\$29,292,205	\$313,244,867	0.0%
Gasoline Stations	\$0	\$19,758,297	\$0	\$19,758,297	\$188,535,518	0.0%
Clothing & Clothing Accessories	\$13,461,289	\$12,133,553	\$1,327,736	\$0	\$249,535,637	0.5%
General Merchandise Stores	\$5,194,861	\$23,828,828	\$0	\$18,633,966	\$473,421,120	0.0%
Food Services & Drinking Places	\$10,631,773	\$21,813,950	\$0	\$11,182,176	\$346,107,757	0.0%
Other Retail Group	\$15,000,279	\$21,479,250	\$0	\$6,478,970	\$211,353,407	0.0%
<b>Total</b>	<b>\$55,168,640</b>	<b>\$171,073,874</b>	<b>\$1,327,736</b>	<b>\$117,232,969</b>	<b>\$3,032,368,036</b>	<b>0.0%</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 15 for market area generated sales.

(2) See Exhibit 20.

(3) Comprises the level of net Johnson Drive EDZ market-area-generated sales not anticipated to be absorbed by new demand occurring between 2018 and 2028. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in the Market Area in order for the Johnson Drive EDZ Project to achieve its assumed level of sales generated by Market Area residents, assuming only Market Area establishments experience sales impacts.

(4) See Exhibits 23 and 26.

**Exhibit 30**  
**Johnson Drive Economic Development Zone (EDZ) Sales Impacts**  
**Total Project Impact on Existing Retail Sales Base Inclusive of Future Demand to 2028**  
**Cities of Pleasanton and Dublin**  
**2015 Dollars**

Retail Category	Johnson Drive EDZ Market Area- Generated Project Sales (1)	Total New Market Area Demand 2015- 2028 (2)	Project Sales in Excess of New Market Area Demand (3)	Remaining Demand Available for Retail Backfilling	Market Area Sales Impacts Inclusive of Future Demand	
					Pleasanton & Dublin Existing Combined Sales Base (4)	Sales Impact % of Pleasanton & Dublin Combined Sales Base
	[A]	[B]	[C = A - B if >0]	[D = B - A if >0]	[E]	[F = C / E]
Motor Vehicle & Parts Dealers	\$3,143,726	\$30,770,182	\$0	\$27,626,456	\$902,315,802	0.0%
Home Furnishings & Appliances	\$10,211,555	\$11,500,843	\$0	\$1,289,289	\$218,469,617	0.0%
Building Materials & Garden Equipment	\$8,030,090	\$13,432,983	\$0	\$5,402,893	\$129,384,311	0.0%
Food & Beverage Stores	\$32,075,342	\$38,152,384	\$0	\$6,077,042	\$313,244,867	0.0%
Gasoline Stations	\$6,278,039	\$25,734,700	\$0	\$19,456,661	\$188,535,518	0.0%
Clothing & Clothing Accessories	\$15,850,201	\$15,803,657	\$46,544	\$0	\$249,535,637	0.0%
General Merchandise Stores	\$10,176,090	\$31,036,468	\$0	\$20,860,377	\$473,421,120	0.0%
Food Services & Drinking Places	\$11,169,630	\$28,412,138	\$0	\$17,242,508	\$346,107,757	0.0%
Other Retail Group	\$22,803,351	\$27,976,200	\$0	\$5,172,849	\$211,353,407	0.0%
<b>Total</b>	<b>\$119,738,024</b>	<b>\$222,819,555</b>	<b>\$46,544</b>	<b>\$103,128,075</b>	<b>\$3,032,368,036</b>	<b>0.0%</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 15 for market area generated sales.

(2) See Exhibit 20.

(3) Comprises the level of net Johnson Drive EDZ market-area-generated sales not anticipated to be absorbed by new demand occurring between the 2015 base period and 2028, the projected first full year for cumulative full buildout of the Project. These are the amount of sales anticipated to be diverted from existing baseline retail establishments in the Market Area in order for the Johnson Drive EDZ Project to achieve its assumed level of sales generated by Market Area residents, assuming only Market Area establishments experience sales impacts.

(4) See Exhibits 23 and 26.

Exhibit 31  
Identified Planned and Proposed Retail Projects (1)  
Project Details and Timing Estimates  
Cities of Pleasanton and Dublin  
January - March 2016

Project	Description	Potential Retail Sq. Ft.	Status	Location	Expected Opening / Completion	Driving Distance from Project Site	Percent Sales from Inside the Johnson Drive EDZ Market Area (2)	Percent Market Area Sales (3)	Market Area Competitive Sales Space (4)
<b>Pleasanton</b>									
1 Pacific Pearl/Staples Ranch	This project is approved for a 112,000 square-foot shopping center on approximately 11.5 acres at Staples Ranch. Estimated tenants include a 30,125-square-foot Marina Foods, 15,625 King Wah, 16,333 square feet for restaurants/quick serve, 3,632 square feet for beauty/nail salons & spa services, 1,301 square feet for learning/tutoring services, 1,605 square feet of medical/dental, 1,230 square feet of general retail, with the remaining square footage unknown.	112,000	Approved	Stoneridge Dr and El Charro Rd	Summer 2017	4.8	50%	90%	50,400
2 Vintage Sustainable Mixed-Use Village	This is a mixed-use project with 345 apartment units and 38,781 square feet of retail. The retail tenants are unknown, but the anchor tenant is estimated to be a small grocery (20,400 square feet) or drugstore (14,648 square feet).	38,781	Proposed	3150 Bernal Ave	2016	4.9	95%	95%	35,000
3 CarMax	This project is an automobile dealership consisting of an approximately 11,783-square-foot sales and presentation building, an approximately 45,000-square-foot service building, an approximately 3,930-square-foot quality control building and non-public car wash, vehicle sales display area, and related site improvements at the Auto Mall site at Staples Ranch.	11,783	Under Construction	Staples Ranch Auto Mall Site, Stoneridge Drive	2016	4.8	25%	95%	2,798
4 Essex Site 1	This project is a mixed-use high-density residential/commercial development containing 251 residential units, 4 live/work units, and approximately 5,700 square feet of retail space.	5,700	Under Construction	SE corner of Owens Dr and Willow Rd	Spring 2017	1.8	95%	95%	5,144
5 Chick-fil-A Restaurant	This project includes a 5,399-square-foot Chick-fil-A restaurant with two drive through lanes and related site improvements.	5,399	Under Construction	Johnson Ct	August 2016	1.2	95%	95%	4,873
<b>Subtotal</b>		<b>173,663</b>							<b>98,215</b>



**Exhibit 31**  
**Identified Planned and Proposed Retail Projects (1)**  
**Project Details and Timing Estimates**  
**Cities of Pleasanton and Dublin**  
**January - March 2016**

Project	Description	Potential Retail Sq. Ft.	Status	Location	Expected Opening / Completion	Driving Distance from Project Site	Percent Sales from Inside the Johnson Drive EDZ Market Area (2)	Percent Market Area Sales (3)	Market Area Competitive Sales Space (4)
<b>Dublin</b>									
6 Project Clover	This proposed commercial shopping center will be anchored by a 339,000-square-foot IKEA store and also contains four pads with retail, restaurant, and a potential 75-room boutique hotel for a total center square footage up to 430,000 square feet.	430,000	In planning stages	5144 and 5344 Martinelli Way	2018	2.8	10%	80%	34,400
7 Kaiser Medical Center (5)	This project is a medical campus comprising a 950,000-square-foot medical facility and 250,000 square feet of commercial development built over 25 years. The zoning for the project has yet to be approved and the commercial space is extremely conceptual.	250,000	In planning stages	Dublin Blvd between Grafton St and Fallon Rd	Unknown	4.3	50%	80%	100,000
8 The Boulevard/Dublin Crossing	The EIR and Specific Plan for the site allow up to 225,000 square feet of commercial space; however, the developer is leaning toward building only residential and according to a Dublin City Planner the commercial is unlikely.	225,000	Initial entitlements approved November	Bounded by 5th St Arnold Rd, Dublin Blvd, and Scarlett Dr	Unknown	3.2	66%	80%	118,800
9 Fallon Gateway (5)	This project is a partially complete 379,000-square-foot retail center with a completed 146,000-square-foot Target, 9,000-square-foot BJ's Restaurant & Brewhouse, a 55,000-square-foot Dick's Sporting Goods, and other smaller shop spaces. The remaining 140,000 square feet include 3 anchor tenants and shop space. The tenants and timing for the remaining square footage are unknown.	140,000	Approved	Fallon Rd and Dublin Blvd	Unknown	5.1	66%	90%	83,160
10 Grafton Plaza Mixed-Use Development (5)	This is an integrated mixed use project with 115 townhomes, a 122-room Aloft hotel, and a 55,000-square-foot retail center. This project is expected to be heard by the Planning Commission in February/March 2016.	55,000	In planning review	SE corner Grafton Dr and Dublin Blvd	2017 / 2018	4.3	66%	95%	34,485
11 Bay West Mixed Use Project	This is a small mixed-use downtown project with 17,000 square feet of first floor commercial with 314 apartments above.	17,000	Under Construction	Golden Gate Dr and Dublin Blvd	2016	2.3	95%	95%	15,343
12 Sutter Retail	This project is a 2,600-square-foot Starbucks with drive-thru and a 5,400-square-foot retail shop building.	8,000	In planning stages	7080 San Ramon Rd	Unknown	2.6	95%	95%	7,220
<b>Subtotal</b>		<b>1,125,000</b>							<b>393,408</b>
<b>Grand Total</b>		<b>1,298,663</b>							<b>491,623</b>

Sources: City of Pleasanton Planning Department; City of Pleasanton Memo titled, "Community Development Department Update January 15, 2016"; City of Dublin Planning Department; City of Dublin, "City of Dublin - Commercial and Residential Project List - 11/10/2015"; local news websites; and ALH Urban & Regional Economics.

(1) Includes retail development projects 5,000 square feet or larger with development plans in progress. Projects are generally listed in descending order of size.

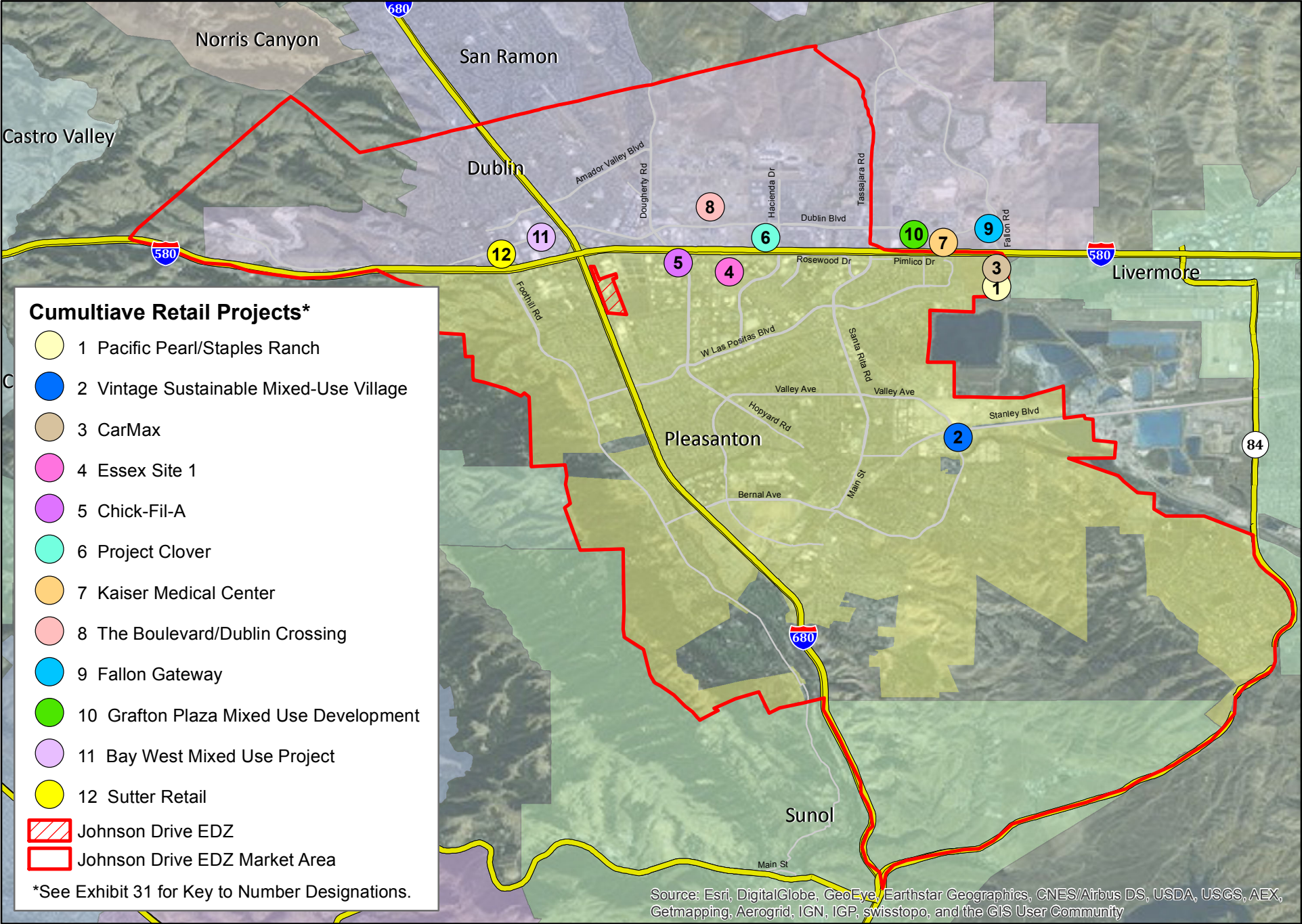
(2) The cumulative retail projects are estimated to be competitive with the Johnson Drive EDZ Project to varying degrees, based on project orientation, location, and estimated amount of market area overlap, i.e., portion of sales achieved at the cumulative projects generated by consumers in the Johnson Drive EDZ Project market area. This column presents the project-specific assumptions developed by ALH Urban & Regional Economics.

(3) Reflects the percentage of project sales estimated to be generated by the project's respective market area. For projects less than 100,000 square feet the study assumes this share is 95%. For projects between 100,000 and 200,000 square feet the study assumes this share is 90%. For projects greater than 200,000 square feet the study assumes this share is 80%, which is comparable to the study assumption for the Project's general retail space.

(4) Comprises the project square footage multiplied by the assumed market area overlap and percent of sales generated by market area consumers. Reflects amount of sales space anticipated to be supported by Johnson Drive EDZ Project market area consumers.

(5) Includes projects located near but not in the Johnson Drive EDZ market area.

Exhibit 32: Johnson Drive Economic Development Zone Project and Cumulative Retail Projects



0 0.75 1.5 3 Miles



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**Exhibit 33**  
**Summary of Retail Pipeline (1)**  
**Cities of Pleasanton and Dublin**  
**Through Johnson Drive Economic Development Zone (EDZ) Project Buildout in 2028**

Demographic	Johnson Drive EDZ Retail Development Timing (2)			Total
	Phase 1 (2015-2018)	Full Buildout (2015-2028)	Unknown	
<b><u>Total Square Feet</u></b>				
City of Pleasanton	98,215	98,215	0	98,215
City of Dublin	84,228	84,228	309,180 (3)	393,408
<b>Total</b>	<b>182,443</b>	<b>182,443</b>	<b>309,180</b>	<b>491,623</b>
<b><u>Total Occupied Square Feet (4)</u></b>				
City of Pleasanton	93,304	93,304	0	93,304
City of Dublin	80,016	80,016	293,721	373,737
<b>Total</b>	<b>173,321</b>	<b>173,321</b>	<b>293,721</b>	<b>467,042</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 31 for square footage and timing. Does not include the Johnson Drive EDZ Project. Includes only the portion of cumulative project sales space anticipated to be competitive with the Johnson Drive EDZ Project per the market area sales overlap assumptions in Exhibit 31.

(2) The Phase I and Full Buildout timing match the anticipated timing of Johnson Drive EDZ retail development.

(3) Includes project #7 in Exhibit 31 deemed unlikely to be developed.

(4) Analysis assumes a stabilized retail vacancy rate of 5%.

**Exhibit 34****Existing and Future Market Area Retail Demand Converted to Supportable Square Feet  
2015 to 2018 and 2018 to 2028**

Type of Retailer	Sales per Square Foot (1)	Incremental Phase 1 2015-2018	Incremental Full Buildout 2018-2028	Total 2028
<b>In Dollars (2)</b>				
Motor Vehicles and Parts Dealers	--	\$7,145,800	\$23,624,382	\$30,770,182
Home Furnishings and Appliance Stores	--	\$2,670,856	\$8,829,987	\$11,500,843
Building Materials and Garden Equip	--	\$3,119,560	\$10,313,423	\$13,432,983
Food and Beverage Stores	--	\$8,860,179	\$29,292,205	\$38,152,384
Gasoline Stations	--	\$5,976,404	\$19,758,297	\$25,734,700
Clothing and Clothing Accessories Stores	--	\$3,670,104	\$12,133,553	\$15,803,657
General Merchandise Stores	--	\$7,207,640	\$23,828,828	\$31,036,468
Food Services and Drinking Places	--	\$6,598,189	\$21,813,950	\$28,412,138
Other Retail Group	--	\$6,496,950	\$21,479,250	\$27,976,200
<b>Total</b>		<b>\$51,745,682</b>	<b>\$171,073,874</b>	<b>\$222,819,555</b>
<b>By Square Feet (2)</b>				
Motor Vehicles and Parts Dealers	\$800	8,932	29,530	38,463
Home Furnishings and Appliance Stores	\$323	8,282	27,380	35,661
Building Materials and Garden Equip	\$300	10,405	34,398	44,803
Food and Beverage Stores	\$643	13,776	45,545	59,321
Gasoline Stations	NA	0	0	0
Clothing and Clothing Accessories Stores	\$385	9,533	31,518	41,052
General Merchandise Stores	\$297	24,258	80,197	104,454
Food Services and Drinking Places	\$608	10,850	35,872	46,723
Other Retail Group	\$429	15,145	50,070	65,215
<b>Total Retail Sales-Based</b>		<b>101,181</b>	<b>334,511</b>	<b>435,692</b>
<b>Additional Service Increment (3)</b>		<b>18,819</b>	<b>55,489</b>	<b>74,308</b>
<b>Grand Total Commercial Retail Demand (4)</b>		<b>120,000</b>	<b>390,000</b>	<b>510,000</b>

Source: ALH Urban &amp; Regional Economics.

(1) See Exhibit 9.

(2) See Exhibit 21.

(3) Includes an allocation of 15% of space to accommodate service retail, such as banks, personal, and business services.

(4) Rounded to the nearest 10,0000.

**Exhibit 35****Cumulative Retail Impacts (1)****2018 and Through Johnson Drive Economic Development Zone (EDZ) Project Buildout in 2028**

Supply and Demand Characteristic	Johnson Drive EDZ Retail Development Timing (2)			Total
	Phase 1 (2015-2018)	Full Buildout (2015-2028)	Unknown (3)	
<b>Retail Supply</b>				
Johnson Drive Occupied General Retail Space Supported by the Market Area (4)	3,800	143,668	0	143,668
Johnson Drive Club Retail Space Supported by the Market Area (5)	54,079	54,079	0	54,079
Occupied Cumulative Retail Supported by the Market Area (6)	173,321	173,321	293,721	467,042
Total Cumulative Retail Additions to Supply	231,200	371,068	293,721	664,789
Cumulative Retail Unlikely to be Built (7)	0	0	112,860	112,860
<b>Forecasted Retail Demand</b>				
Market Area Demand (6)	120,000	510,000	NA	510,000
<b>Supply and Demand Findings (8)</b>				
Additional Demand Needed to Support Cumulative Retail	111,200	0	NA	267,649
Additional Demand Needed to Support Cumulative Retail Less Unlikely Projects (7)	111,200	0	NA	154,789
<b>Resulting Increase in Combined Pleasanton/Dublin Retail Vacancy Rate (9)</b>				
All Cumulative Projects	1.2%	0.0%	NA	2.9%
Cumulative Projects Less Unlikely Projects	1.2%	0.0%	NA	1.7%

Source: ALH Urban & Regional Economics.

(1) Considers impacts of Johnson Drive EDZ Project retail as well as other identified market area planned retail development within the timeframe similar to Johnson Drive EDZ.

(2) The phasing figures match the timing of Johnson Drive EDZ retail development. Aggregates figures by phase, so each subsequent phase (or year) includes the supply additions from the prior phase (or years)

(3) Project timing unknown, although some projects could be developed within the 2018 to 2028 time period corresponding with development of the Johnson Drive EDZ planned retail space.

(4) See Exhibit 8 for occupied square footages. These occupied square footages are then multiplied by 80% for general retail to account for demand from within the market area, see Exhibit 15.

(5) The club retail space incorporated in the cumulative analysis is a proxy for the share of store space anticipated to be supported by new market area demand generated by retail consumers. This excludes demand generated by wholesale consumers (i.e., 13%), demand generated by retail consumers from outside the market area (i.e., 33%, and recaptured sales from . area club retail stores generated by existing Project club retail market area consumers (i.e., 30%). The resulting figure of 54,079 was produced as follows:  $148,000 \times (100\% - 13\%) \times 60\% \times (100\% - 30\%) = 54,079$ .

(6) See Exhibit 33.

(7) The Boulevard/Dublin Crossing project is very unlikely to be retail according to the City of Dublin Planning Department; ALH Urban & Regional Economics included in part of the analysis to be conservative.

(8) Comprises the remaining demand needed to support the Johnson Drive EDZ retail space and cumulative projects.

(9) As noted in subsequent Exhibits 43 and 44, the combined retail base in Pleasanton and Dublin comprises 9,249,180 square feet. These percentages comprise the potential increase in the market area's combined vacancy rate attributable to cumulative project impacts. The combined vacancy rate as of year-end 2015 was 3.9%.

**Exhibit 36**  
**Existing Hotel Supply (1)**  
**Cities of Pleasanton and Dublin**  
**February 2016**

Map No.	Name of Establishment	Miles from Johnson Drive EDZ (2)	Address	Class	Average Room Rate (3)	Open Date	Room Count
1	DoubleTree Pleasanton @ The Club	0.5	7050 Johnson Drive, Pleasanton	Upscale	\$229	Dec 1985	292
2	Larkspur Landing Pleasanton	1.2	5535 Johnson Drive, Pleasanton	Upper Midscale	\$189	Aug 1997	124
3	Motel 6 Pleasanton	1.5	5102 Hopyard Road, Pleasanton	Economy	\$92 (4)	Jun 1975	76
4	Extended Stay America Pleasanton Chabot Drive	1.6	4555 Chabot Drive, Pleasanton	Economy	\$150	Feb 1998	112
5	Courtyard Pleasanton	1.6	5059 Hopyard Road, Pleasanton	Upscale	\$179	Sep 1986	145
6	Four Points by Sheraton Pleasanton	1.7	5115 Hopyard Road, Pleasanton	Upscale	\$179	Oct 1985	214
7	Best Western Plus Pleasanton Inn	1.7	5375 Owens Court, Pleasanton	Upper Midscale	\$130	Oct 1983	97
8	Hyatt House Pleasanton	1.7	4545 Chabot Drive, Pleasanton	Upscale	\$249	Jul 1998	128
9	Sheraton Hotel Pleasanton	1.9	5990 Stoneridge Mall Road, Pleasanton	Upper Upscale	\$159	Jun 1985	170
10	La Quinta Inns & Suites Dublin Pleasanton	2.1	6275 Dublin Blvd, Dublin	Midscale Class	\$189	Jan 1999	91
11	Marriott Pleasanton	2.2	11950 Dublin Canyon Road, Pleasanton	Upper Upscale	\$269	Jan 1986	242
12	Residence Inn Pleasanton	2.3	11920 Dublin Canyon Road, Pleasanton	Upscale	\$189 (4)	Aug 1999	135
13	Holiday Inn Dublin Pleasanton	2.7	6680 Regional St, Dublin	Upper Midscale	\$171	Jun 1977	222
14	Hyatt Place Dublin Pleasanton	3.0	4950 Hacienda Dr, Dublin	Upscale Class	\$189	Jun 1999	127
15	Extended Stay America Dublin Hacienda Drive	4.4	4500 Dublin Blvd, Dublin	Economy	\$150	Feb 2000	122
							2,297

Sources: Smith Travel Research; Hotel websites; GoogleMaps; and ALH Urban & Regional Economics.

(1) Includes hotels that participate in the Smith Travel Research trend analysis. Therefore, not all hotels are included. For example, this inventory does not include downtown Pleasanton's two hotels - the Rose Hotel with 38 rooms (considered an Upper Upscale Class hotel by Smith Travel Research) and Pleasanton Hotel.

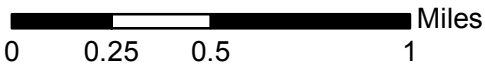
(2) The site location assumed for distance mapping purpose is the intersection of Johnson Drive and Commerce Circle.

(3) Average room rate for a single room with a king-sized bed for 2 adults, free cancellation. No special pricing applied. Internet-based room queries, approximately 3 weeks prior to notice.

(4) The hotel does not offer king-sized beds, the average rate is for a single room with a queen-sized bed.



Exhibit 37: Johnson Drive Economic Development Zone Project and Area Hotels



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**Exhibit 38**  
**Supply and Demand Trends**  
**Pleasanton and Dublin Hotels (1)**  
**2009 -2015**

Year	Average No. of Rooms (2)	Annual Supply (3)		Annual Demand (4)		Annual Occupancy (5)
		Amount	% Change	Amount	% Change	
2009	2,312	843,880	---	474,120	---	56%
2010	2,304	840,940	-0.35%	552,328	16.5%	66%
2011	2,300	839,500	-0.17%	593,518	7.5%	71%
2012	2,300	839,500	0.00%	621,426	4.7%	74%
2013	2,300	839,500	0.00%	646,492	4.0%	77%
2014	2,298	838,765	-0.09%	649,010	0.4%	77%
2015	2,297	838,405	-0.04%	682,934	5.2%	81%

Sources: Smith Travel Research, Hotel Trend Report, Pleasanton and Dublin, CA, January 2009 through December 2015, created February 8, 2016; and ALH Urban & Regional Economics.

(1) Includes hotels listed and mapped in Exhibit 36 and Exhibit 37.

(2) Comprises the average number of rooms throughout the calendar year. Derived from Annual Supply figures (i.e., Annual Supply/365 days in a year).

(3) Annual supply is reported by Smith Travel Research. Annual supply is equal to the summation of the number of rooms available per month times the number of days in the period.

(4) Annual demand is reported by Smith Travel Research. See footnote (6) for information about the 2015 estimate.

(5) Annual occupancy comprises annual demand divided by annual supply.



**Exhibit 39**  
**Projected Future Hotel Supply and Demand Trends (1)**  
**Cities of Pleasanton and Dublin**  
**2015 - 2028**

Year	Number of Rooms		Annual Supply (2)		Demand per Annual Growth Rate in Demand (3)	Occupancy per Annual Growth Rate in Demand (4)	
	Option 1	Option 2	Option 1	Option 2		Option 1	Option 2
2015	2,297 (5)	2,297	838,405	838,405	682,934	81%	81%
2016	2,297	2,297	838,405	838,405	697,451	83%	83%
2017	2,297	2,297	838,405	838,405	712,276	85%	85%
<b>2018 (6)</b>	<b>2,447</b>	<b>2,528</b>	<b>893,155</b>	<b>922,720</b>	<b>727,417</b>	<b>81%</b>	<b>79%</b>
2019	2,447	2,528	893,155	922,720	742,879	83%	81%
2020	2,447	2,528	893,155	922,720	747,576	84%	81%
2021	2,447	2,528	893,155	922,720	752,302	84%	82%
2022	2,447	2,528	893,155	922,720	757,059	85%	82%
2023	2,447	2,528	893,155	922,720	761,845	85%	83%
2024	2,447	2,528	893,155	922,720	766,662	86%	83%
2025	2,447	2,528	893,155	922,720	771,626	86%	84%
2026	2,447	2,528	893,155	922,720	776,623	87%	84%
2027	2,447	2,528	893,155	922,720	781,652	88%	85%
2028	2,447	2,528	893,155	922,720	786,714	88%	85%

Sources: Smith Travel Research; and ALH Urban & Regional Economics.

(1) Includes existing hotels listed in Exhibit 28 plus the planned Johnson Drive EDZ Project hotel options with 150 rooms (Option 1) and 231 rooms (Option 2).

(2) Comprises annual number of rooms multiplied by 365 days in a year.

(3) Forecasted based on the incremental growth rates identified in Exhibit 40, which collectively comprise 2.1% a year from 2015-2020; and .6% a year from 2020 to 2030.

(4) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2015 baseline occupancy rate is estimated as 81.5%, as reported in Exhibit 38.

(5) Per Exhibit 38 the Smith Travel Research report pertains to 2,297 hotel rooms.

(6) The analysis examines the impact of the planned Johnson Drive EDZ hotel by year 2018. Each option includes the addition of the anticipated number of hotel rooms in that year.

**Exhibit 40**  
**Total Jobs Estimates and Projections**  
**Cities of Pleasanton and Dublin (1) (2)**  
**2015 - 2030**

Geographic Area	2015	2018	2020	2025	2028	2030	Aggregate Growth			Average Annual Growth Rate		
							2015-2020	2020-2025	2025-2030	2015-2020	2020-2025	2025-2030
City of Pleasanton	<b>58,520</b>	61,197	<b>63,050</b>	<b>64,320</b>	65,097	<b>65,620</b>	4,530	1,270	1,300	1.5%	0.4%	0.4%
City of Dublin	<b>19,930</b>	22,336	<b>24,100</b>	<b>25,620</b>	26,598	<b>27,270</b>	4,170	1,520	1,650	3.9%	1.2%	1.3%
Total	78,450	83,534	87,150	89,940	91,694	92,890	8,700	2,790	2,950	2.1%	0.6%	0.6%

Sources: Association of Bay Area Governments (ABAG), "Population & Household Projections 2013"; and ALH Urban & Regional Economics.

(1) Figures in bold are provided by ABAG.

(2) The interim years of 2018 and 2028, which also constitute timing for Johnson Drive EDZ Project Phase 1 and Full Buildout, respectively, were calculated using the average annual growth rate.

**Exhibit 41**  
**Identified Planned and Proposed Hotel Projects (1)**  
**Cities of Pleasanton and Dublin (2)**  
**February 2016**

<b>Project</b>	<b>Description</b>	<b>Potential Net New Hotel Rooms</b>	<b>Status</b>	<b>Location</b>	<b>Expected Opening / Completion</b>
1 Grafton Plaza Mixed-Use Development - Aloft Hotel	This is an integrated mixed use project with 115 townhomes, a 122-room Aloft hotel, and a 55,000-square-foot retail center. This project is expected to be heard by the Planning Commission in February/March 2016.	122	In planning review	SE corner Grafton Dr and Dublin Blvd, Dublin	2017 / 2018
2 Project Clover	This proposed commercial shopping center will be anchored by a 339,000-square-foot IKEA store and also contains four pads with retail, restaurant, and a potential 75-room boutique hotel for a total center square footage up to 430,000 square feet.	75	In planning review	5144 and 5344 Martinelli Way, Dublin	2018
<b>Total</b>		<b>197</b>			

Sources: City of Pleasanton Planning Department; City of Pleasanton Memo titled, "Community Development Department Update January 15, 2016"; City of Dublin Planning Department; City of Dublin, "City of Dublin - Commercial and Residential Project List - 11/10/2015"; and ALH Urban & Regional Economics.

(1) Hotel projects or project including hotels with development plans in progress with the cities of Pleasanton and Dublin.

(2) There are no hotels currently being planned in the City of Pleasanton, other than the one at the Johnson Drive EDZ Project.

**Exhibit 42**  
**Cumulative Hotel Occupancy Analysis (1)**  
**Cities of Pleasanton and Dublin**  
**2015 - 2028**

Year	Number of Rooms		Annual Supply (2)		Demand per Annual Growth Rate in Demand (3)	Occupancy per Annual Growth Rate in Demand (4)	
	Option 1	Option 2	Option 1	Option 2		Option 1	Option 2
2015	2,297 (5)	2,297	838,405	838,405	682,934	81%	81%
2016	2,297	2,297	838,405	838,405	697,451	83%	83%
2017 (6)	2,419	2,419	882,935	882,935	712,276	81%	81%
2018 (7)(8)	2,644	2,725	965,060	994,625	727,417	75%	73%
2019	2,644	2,725	965,060	994,625	742,879	77%	75%
2020	2,644	2,725	965,060	994,625	747,576	77%	75%
2021	2,644	2,725	965,060	994,625	752,302	78%	76%
2022	2,644	2,725	965,060	994,625	757,059	78%	76%
2023	2,644	2,725	965,060	994,625	761,845	79%	77%
2024	2,644	2,725	965,060	994,625	766,662	79%	77%
2025	2,644	2,725	965,060	994,625	771,626	80%	78%
2026	2,644	2,725	965,060	994,625	776,623	80%	78%
2027	2,644	2,725	965,060	994,625	781,652	81%	79%
2028	2,644	2,725	965,060	994,625	786,714	82%	79%

Sources: Smith Travel Research; and ALH Urban & Regional Economics.

(1) Includes existing hotels listed in Exhibit 36 plus the planned Johnson Drive EDZ Project hotel options with 150 rooms (Option 1) and 231 rooms (Option 2).

(2) Comprises annual number of rooms multiplied by 365 days in a year.

(3) Forecasted based on the incremental growth rates identified in Exhibit 40, which collectively comprise 2.1% a year from 2015-2020; and .6% a year from 2020 to 2030.

(4) Annual occupancy comprises annual demand divided by annual supply. Note the existing 2015 baseline occupancy rate is estimated as 81.5%, as reported in Exhibit 38.

(5) Per Exhibit 38 the Smith Travel Research report pertains to 2,297 hotel rooms.

(6) Includes the addition of the cumulative hotel project at the Grafton Plaza Mixed-Use Development with 122 rooms. See Exhibit 41.

(7) The analysis examines the impact of the planned Johnson Drive EDZ hotel by year 2018. Each option includes the addition of the anticipated number of hotel rooms in that year.

(8) Includes the addition of the cumulative hotel project at Project Clover with 75 rooms. See Exhibit 41.

**Exhibit 43**  
**City of Pleasanton Retail Vacancy Trends**  
**2006 (2nd Qtr) Through 2015**

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2015 Q4	292	5,219,542	120,084	2.30%	5,099,458	8,202	12	24,500	0	0	3	91,783
2015 Q3	292	5,219,542	128,286	2.50%	5,091,256	49,992	5	8,475	1	31,792	3	91,783
2015 Q2	291	5,187,750	146,486	2.80%	5,041,264	10,172	12	28,994	0	0	4	123,575
2015 Q1	291	5,187,750	156,658	3.00%	5,031,092	-23,731	11	39,290	0	0	1	31,792
2014 Q4	291	5,187,750	132,927	2.60%	5,054,823	129,767	6	16,941	0	0	0	0
2014 Q3	291	5,187,750	262,694	5.10%	4,925,056	9,206	14	47,320	1	1,118	0	0
2014 Q2	290	5,186,632	270,782	5.20%	4,915,850	264	9	14,988	0	0	1	1,118
2014 Q1	290	5,186,632	271,046	5.20%	4,915,586	-6,181	5	6,515	0	0	1	1,118
2013 Q4	290	5,186,632	264,865	5.10%	4,921,767	10,347	13	21,103	0	0	0	0
2013 Q3	290	5,186,632	275,212	5.30%	4,911,420	30,413	13	29,770	0	0	0	0
2013 Q2	290	5,186,632	305,625	5.90%	4,881,007	-12,363	16	40,215	0	0	0	0
2013 Q1	290	5,186,632	293,262	5.70%	4,893,370	18,227	11	11,350	0	0	0	0
2012 Q4	290	5,186,632	311,489	6.00%	4,875,143	11,282	16	28,167	1	109,411	0	0
2012 Q3	289	5,077,221	213,360	4.20%	4,863,861	9,642	12	42,031	0	0	1	109,411
2012 Q2	289	5,077,221	223,002	4.40%	4,854,219	-6,503	17	36,560	2	9,813	1	109,411
2012 Q1	287	5,067,408	206,686	4.10%	4,860,722	41,431	8	37,259	5	59,150	3	119,224
2011 Q4	282	5,008,258	188,967	3.80%	4,819,291	61,488	19	34,537	1	58,000	8	178,374
2011 Q3	281	4,950,258	192,455	3.90%	4,757,803	29,001	7	37,762	0	0	9	236,374
2011 Q2	281	4,950,258	221,456	4.50%	4,728,802	-2,761	13	32,884	0	0	8	126,963
2011 Q1	281	4,950,258	218,695	4.40%	4,731,563	14,271	7	42,442	1	4,573	8	126,963
2010 Q4	280	4,945,685	228,393	4.60%	4,717,292	-4,364	9	19,783	0	0	1	4,573
2010 Q3	280	4,945,685	224,029	4.50%	4,721,656	3,830	10	22,324	0	0	1	4,573
2010 Q2	280	4,945,685	227,859	4.60%	4,717,826	-31,558	8	20,572	0	0	1	4,573
2010 Q1	280	4,945,685	196,301	4.00%	4,749,384	46,120	7	8,956	0	0	0	0
2009 Q4	280	4,945,685	242,421	4.90%	4,703,264	25,968	12	19,057	0	0	0	0
2009 Q3	280	4,945,685	268,389	5.40%	4,677,296	-18,633	8	19,544	0	0	0	0
2009 Q2	280	4,945,685	249,756	5.00%	4,695,929	-94,267	9	33,783	0	0	0	0
2009 Q1	281	4,954,129	163,933	3.30%	4,790,196	-40,682	2	2,464	0	0	0	0
2008 Q4	281	4,954,129	123,251	2.50%	4,830,878	-9,956	5	8,504	0	0	0	0
2008 Q3	281	4,954,129	113,295	2.30%	4,840,834	12,793	5	11,534	0	0	0	0
2008 Q2	281	4,954,129	126,088	2.50%	4,828,041	-37,415	4	32,370	0	0	0	0
2008 Q1	281	4,954,129	88,673	1.80%	4,865,456	-11,097	2	25,479	1	2,520	0	0
2007 Q4	281	4,952,701	76,148	1.50%	4,876,553	10,411	3	3,473	0	0	1	2,520
2007 Q3	281	4,952,701	86,559	1.70%	4,866,142	7,229	1	1,798	1	7,000	1	2,520
2007 Q2	280	4,945,701	86,788	1.80%	4,858,913	-2,828	0	1,120	1	15,488	1	7,000
2007 Q1	279	4,930,213	68,472	1.40%	4,861,741	14,527	0	9,235	0	0	2	22,488
2006 Q4	279	4,930,213	82,999	1.70%	4,847,214	12,930	1	4,971	0	0	1	15,488
2006 Q3	279	4,930,213	95,929	1.90%	4,834,284	16,451	1	6,114	0	0	1	15,488
2006 Q2	279	4,930,213	112,380	2.30%	4,817,833	76,755	5	21,382	0	0	1	15,488

Sources: Costar; and CB Richard Ellis.

**Exhibit 44**  
**City of Dublin Retail Vacancy Trends**  
**2006 (2nd Qtr) Through 2015**

Period	Rentable Building Area					Total Net Absorption	Leasing Activity		New Construction			
	# Bldgs	Total SF	Vacant SF	Percent Vacant	Occupied SF		Total Deals	Total SF Leased	Number Delivered	RBA Delivered	# Under Const	RBA Under Const
2015 Q4	210	4,029,638	238,347	5.90%	3,791,291	16,193	5	12,869	6	42,679	0	0
2015 Q3	204	3,986,959	211,861	5.30%	3,775,098	92,175	10	38,474	1	76,500	6	42,679
2015 Q2	203	3,910,459	227,536	5.80%	3,682,923	-10,046	15	52,106	2	65,642	7	119,179
2015 Q1	201	3,844,817	151,848	3.90%	3,692,969	31,562	13	37,011	0	0	3	142,142
2014 Q4	201	3,844,817	183,410	4.80%	3,661,407	34,407	12	24,960	2	13,500	3	142,142
2014 Q3	200	3,871,262	244,262	6.30%	3,627,000	36,737	10	49,330	0	0	3	17,142
2014 Q2	200	3,871,262	280,999	7.30%	3,590,263	87,519	12	45,842	0	0	2	13,500
2014 Q1	200	3,871,262	368,518	9.50%	3,502,744	-7,983	13	115,144	0	0	0	0
2013 Q4	200	3,871,262	360,535	9.30%	3,510,727	-9,827	11	56,082	3	31,029	0	0
2013 Q3	197	3,840,233	319,679	8.30%	3,520,554	69,009	15	44,674	0	0	3	31,029
2013 Q2	197	3,840,233	388,688	10.10%	3,451,545	50,807	10	61,291	1	129,478	3	31,029
2013 Q1	196	3,710,755	310,017	8.40%	3,400,738	15,241	6	11,703	0	0	1	129,478
2012 Q4	196	3,710,755	325,258	8.80%	3,385,497	16,081	4	16,995	1	7,371	1	129,478
2012 Q3	195	3,703,384	333,968	9.00%	3,369,416	5,368	11	36,908	0	0	2	136,849
2012 Q2	195	3,703,384	339,336	9.20%	3,364,048	-45,673	10	75,416	0	0	2	136,849
2012 Q1	195	3,703,384	293,663	7.90%	3,409,721	-8,841	7	14,981	0	0	0	0
2011 Q4	195	3,703,384	284,822	7.70%	3,418,562	208,172	8	15,388	2	164,235	0	0
2011 Q3	193	3,539,149	328,759	9.30%	3,210,390	-53,549	4	3,685	0	0	2	164,235
2011 Q2	193	3,539,149	275,210	7.80%	3,263,939	56,830	3	11,607	0	0	2	164,235
2011 Q1	193	3,539,149	332,040	9.40%	3,207,109	46,871	6	16,213	0	0	2	164,235
2010 Q4	193	3,539,149	378,911	10.70%	3,160,238	24,674	7	56,553	0	0	0	0
2010 Q3	193	3,539,149	403,585	11.40%	3,135,564	20,754	14	98,346	0	0	0	0
2010 Q2	193	3,539,149	424,339	12.00%	3,114,810	46,457	5	39,909	0	0	0	0
2010 Q1	193	3,539,149	470,796	13.30%	3,068,353	9,828	8	16,352	0	0	0	0
2009 Q4	193	3,539,149	480,624	13.60%	3,058,525	39,494	5	36,330	0	0	0	0
2009 Q3	193	3,539,149	520,118	14.70%	3,019,031	-12,241	8	46,958	0	0	0	0
2009 Q2	193	3,539,149	507,877	14.40%	3,031,272	-143,883	6	20,402	0	0	0	0
2009 Q1	195	3,600,827	425,672	11.80%	3,175,155	-52,997	5	21,942	4	49,660	0	0
2008 Q4	191	3,551,167	323,015	9.10%	3,228,152	-14,893	7	66,478	1	117,000	4	49,660
2008 Q3	190	3,434,167	191,122	5.60%	3,243,045	-20,412	6	11,689	1	17,836	5	166,660
2008 Q2	189	3,416,331	152,874	4.50%	3,263,457	21,985	3	15,528	0	0	6	184,496
2008 Q1	189	3,416,331	174,859	5.10%	3,241,472	20,234	1	10,000	1	52,410	6	184,496
2007 Q4	188	3,363,921	142,683	4.20%	3,221,238	5,207	1	1,326	0	0	7	236,906
2007 Q3	188	3,363,921	147,890	4.40%	3,216,031	30,391	0	0	0	0	2	70,246
2007 Q2	188	3,363,921	178,281	5.30%	3,185,640	46,172	0	2,850	0	0	2	70,246
2007 Q1	188	3,363,921	224,453	6.70%	3,139,468	171,406	5	7,242	1	31,400	1	17,836
2006 Q4	187	3,332,521	364,459	10.90%	2,968,062	190,297	2	13,120	1	23,917	2	49,236
2006 Q3	187	3,310,522	532,757	16.10%	2,777,765	-78,233	4	92,627	0	0	3	73,153
2006 Q2	187	3,310,522	454,524	13.70%	2,855,998	-8,419	4	37,810	1	12,937	1	23,917

Sources: Costar; and CB Richard Ellis.

**Exhibit 45**
**Johnson Drive Economic Development Zone (EDZ) Market Area and Bordering Market Area  
Representative Retail Vacancies Available for Lease  
January 2016**

			Driving Distance from Site (miles)	Year Built	Total Available Space (SF)	Former Use
Property	Orientation to Market Area	Address				
Pleasanton						
1 1807 E Santa Rita Rd	In market area	1807 E Santa Rita Rd	3.8	1977	3,000	Former UPS Store
2 239 Main St	In market area	239 Main St	4.5	1985	2,450	Former bank
3 337 Main St	In market area	337 Main St	4.4	1983	3,280	
4 4001 Santa Rita Rd	In market area	4001 Santa Rita Rd	3.5	1991	2,366	
5 4307 Valley Ave	In market area	4307 Valley Ave	3.7	NA	635	Former needle-point/crafts store
6 5424-5460 Sunol Blvd	In market area	5424-5460 Sunol Blvd	5.1	1988	1,500	
7 5480 Sunol Blvd	In market area	5480 Sunol Blvd	5.1	NA	2,500	
8 5676-5694 Stoneridge Dr	In market area	5676-5694 Stoneridge Dr	2.2	1986	2,000	
9 5677-5681 Stoneridge Dr	In market area	5677-5681 Stoneridge Dr	2.2	1986	1,312	
10 610 Main St	In market area	610 Main St	4.2	1970	585	
11 6455 Owens Dr	In market area	6455 Owens Dr	1.3	1971	7,000	Former Denny's
12 6700 Santa Rita Rd	In market area	6700 Santa Rita Rd	3.9	1988	8,000	
13 706 Main St	In market area	706 Main St	4.2	1918	1,500	
14 Bernal Plaza	In market area	6654 Koll Center Pky	3.6	1988	4,871	
15 Gateway Square	In market area	4807 Hopyard Rd	1.4	1989	6,825	
16 Gateway Square	In market area	4811 Hopyard Rd	1.5	2004	6,036	
17 Gateway Square	In market area	4825 Hopyard Rd	1.5	1989	2,323	
18 Gateway Square	In market area	4877 Hopyard Rd	1.4	1989	4,000	
19 Hopyard Village	In market area	3003 Hopyard Rd	2.4	1982	957	
20 Hopyard Village	In market area	3015 Hopyard Rd	2.4	1982	1,096	
21 Hopyard Village	In market area	3037 Hopyard Rd	2.4	1982	2,383	
22 Hopyard Village	In market area	3059 Hopyard Rd	2.4	1982	3,132	
23 Hopyard Village	In market area	5737 Hopyard Rd	2.6	1989	3,500	
24 Pleasanton Gateway	In market area	6750-6790 Bernal Ave	3.6	2012	1,813	Former Ethan Allen
25 Rose Pavilion	In market area	4225 Rosewood Dr	3.5	NA	28,530	
26 Vintage Hills Shopping Center	In market area	3550 Bernal Ave	5.4	1981/2007	1,800	
Subtotal					103,394	
Dublin						
1 7100-7114 Village Pky	In market area	7100-7114 Village Pky	2.7	1966	2,550	Mountain Mike's Pizza Coming Soon
2 7372 San Ramon Rd	In market area	7372 San Ramon Rd	3.0	1972/2007	8,600	
3 7375-7459 Amador Valley	In market area	7375-7459 Amador Valley	2.8	NA	1,502	
4 7660 Amador Valley Blvd	In market area	7660 Amador Valley Blvd	2.8	NA	2,500	
5 Almond Plaza	In market area	7156-7172 Regional St	3.0	1955	3,977	
6 Almond Plaza	In market area	7190-7200 Regional St	3.0	1955	2,050	
7 Amador Center	In market area	6028-6046 Dougherty Rd	2.1	NA	1,500	
8 Dublin City Center	In market area	6797-6799 Dublin Blvd	2.5	1970	2,500	
9 Dublin Corners	In market area	4540-4566 Dublin Blvd	4.4	2006	1,546	
10 Dublin Corners	In market area	4560-4590 Dublin Blvd	4.4	2006	2,721	Former Coco's Restaurant Former Design Outlet Store
11 Dublin Place	In market area	7575 Dublin Blvd	2.4	1980	5,933	
12 Dublin Plaza Center	In market area	7193-7201 Regional St	2.8	1971	31,673	
13 Enea Plaza	In market area	7115-7155 Amador Plaza Rd	2.4	NA	2,000	Proposed fast food building
14 Fallon Gateway	Bordering market area	2680-2696 Fallon Rd	5.0	2015	9,200	Phase II
15 Fallon Gateway	Bordering market area	2820 Dublin Blvd	5.3	2013	74,478	Phase II
16 Fallon Gateway	Bordering market area	Fallon Rd	5.0	2015	10,610	Phase II
17 Fallon Gateway	Bordering market area	Fallon Rd	5.0	2015	8,491	Phase II
18 Fallon Gateway	Bordering market area	Fallon Rd	5.0	2015	6,185	Phase II
19 Fallon Gateway	Bordering market area	3890 Fallon Rd	5.0	2015	4,548	Phase II
20 Grafton Station	Bordering market area	3700-3720 Dublin Blvd	4.4	2009	2,216	Former Party City
21 Hacienda Crossings	In market area	4820-5000 Dublin Blvd	3.1	1999	15,608	
22 Lamps Plus Plaza	In market area	7214-7256 San Ramon Rd	2.8	1991	2,192	
23 Lamps Plus Plaza	In market area	7274-7298 San Ramon Rd	2.9	1991	4,209	Former Dublin Sports Pub & Grill
24 Persimmon Place	In market area	5240-5350 Dublin	3.2	2015	5,359	
25 Shamrock Village	In market area	7721-7745 Amador Valley Blvd	2.9	1988/2006	1,115	
26 Village Square/Valley Plaza	In market area	7293-7477 Village Pky	3.0	1970	24,768	Former Kelley Moore Paints
Subtotal					238,031	
Total					341,425	

Sources: CoStar; GoogleMaps; and ALH Urban & Regional Economics.

(1) ALH Urban & Regional Economics has fieldwork photos from February 2016 on file for the properties denoted in bold text.

**Exhibit 46**  
**Examples of Larger Backfilled Retail/Commercial Tenants**  
**City of Pleasanton**

<b>Location</b>	<b>Driving Distance from Site (Miles)</b>	<b>Prior Tenant - Estimated Year Closed</b>	<b>Current/Future Tenant</b>	<b>Approximate Year of Occupancy</b>	<b>Estimated Square Footage</b>
5775 Johnson Dr	1.2	CompUSA - 2006	Smart & Final extra!	2008	17,500
Metro 580	2.9	Borders - 2011	Party City	Early 2016	30,000
3112 Santa Rita Rd	3.1	Nob Hill Grocery - 2010	Walmart Neighborhood Market	2013	34,000
Rose Pavilion, 4299 Rosewood Dr	3.6	Levitz Furniture - 2008	99 Ranch Market	2010	45,000
Rose Pavilion, 3903 Santa Rita Rd	3.8	Fitness Express - 2010	Fresh & Easy (closed in 2015)	2011	10,000
					<hr/>
<b>Total:</b>					<b>136,500</b>
<b>Average:</b>					<b>27,300</b>

Sources: City of Pleasanton Economic Development Department; and ALH Urban and Regional Economics.



**Exhibit 47****Johnson Drive Economic Development Zone (EDZ) Net New Development  
Project Description, Employment, and Service Population Estimates**

Land Use	Incremental Sq. Ft. (1)		Employment Assumption (Sq. Ft. per Emp.) (2)	Incremental New Employ. (3)			Service Population (4)		
	Phase I	Full Buildout		Phase I	Full Buildout	Total	Phase I	Full Buildout	Total
Club Retail	148,000	0	800	185	0	185	93	0	93
General Retail (5)	4,750	174,835	400	12	437	449	6	219	224
Hotel									
Option 1	88,000	0	3,000	29	0	29	15	0	15
Option 2	132,000	0	3,000	44	0	44	22	0	22
Total									
Inc. Option 1 Hotel				226	437	663	113	219	332
Inc. Option 2 Hotel				241	437	678	120	219	339

Sources: Memorandum, Brion & Associates, "Draft Summary - Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton, February 5, 2015; and ALH Urban & Regional Economics.

(1) See Exhibit 2 except for general retail.

(2) See Table 1, Brion & Associates Memorandum, for employment density assumptions.

(3) Comprises square footage divided by assumed square feet per employee.

(4) All employees are assumed to be equivalent to one-half a resident for City average service cost purposes. This is a standard fiscal impact analysis assumptions. Figure is rounded to the nearest whole number.

(5) Based on occupied square feet for general retail. See Exhibit 9.

**Exhibit 48**  
**City of Pleasanton Demographic, Employment, and Tax Characteristics**

<b>Data Point</b>	<b>Value</b>	<b>Measurement</b>
<b>Population and Employment Base, 2015 estimates (1)</b>		
City of Pleasanton Population	73,500	annual
City of Pleasanton Employment	58,520	annual
Estimated Service Population	102,760	annual
<b>City of Pleasanton Tax Rates and Select Tax Revenues</b>		
City of Pleasanton General Fund Property Tax Rate (2)	24.64%	of 1.0% of property value
Sales Tax Rate (3)	1.00%	of taxable sales amount
Transient Occupancy Tax Rate (4)	8.0%	of room revenues
Vehicle in Lieu of Property Tax Revenues (5)		
FY 2015-2016 Projected	\$5,580,000	annual
<b>Assessed City of Pleasanton Valuation, FY 2015/16 (6)</b>		
Projected Valuation	\$19,586,930,736	annual

Sources: Memorandum, Brion & Associates, "Draft Summary - Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton, February 5, 2015; "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016/17"; and ALH Urban & Regional Economics.

- (1) See Table 2, Brion & Associates Memorandum.
- (2) See Table A-1, Brion & Associates Memorandum.
- (3) See Table A-3, Brion & Associates Memorandum.
- (4) See Table A-5, Brion & Associates Memorandum.
- (5) See "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016-17," page 4.
- (6) See "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016-17," page E-3

**Exhibit 49**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Estimated Taxable Project Sales (1)**  
**2015 Dollars**

BOE Sales Category	Phase I		Increment to Buildout		Total at Full Buildout	
	Total	Taxable	Total	Taxable	Total	Taxable
<b><u>General Retail (1)</u></b>						
Motor Vehicle & Parts Dealers	\$0	\$0	\$0	\$0	\$0	\$0
Home Furnishings & Appliance Stores	\$191,486	\$191,486	\$7,048,093	\$7,048,093	\$7,239,578	\$7,239,578
Building Materials and Garden Equip.	\$178,020	\$178,020	\$6,552,455	\$6,552,455	\$6,730,475	\$6,730,475
Food and Beverage Stores (2)	\$0	\$0	\$0	\$0	\$0	\$0
Gasoline Stations (3)	\$0	\$0	\$0	\$0	\$0	\$0
Clothing and Clothing Accessories Stores	\$457,153	\$457,153	\$16,826,611	\$16,826,611	\$17,283,764	\$17,283,764
General Merchandise	\$176,420	\$176,420	\$6,493,576	\$6,493,576	\$6,669,997	\$6,669,997
Food Services and Drinking Places	\$361,061	\$361,061	\$13,289,717	\$13,289,717	\$13,650,778	\$13,650,778
Other Retail	\$509,418	\$509,418	\$18,750,349	\$18,750,349	\$19,259,767	\$19,259,767
<b>Subtotal</b>	<b>\$1,873,558</b>	<b>\$1,873,558</b>	<b>\$68,960,801</b>	<b>\$68,960,801</b>	<b>\$70,834,359</b>	<b>\$70,834,359</b>
<b><u>Club Retail (4)</u></b>						
Motor Vehicles and Parts Dealers	\$7,485,062	\$7,485,062	\$0	\$0	\$7,485,062	\$7,485,062
Home Furnishings and Appliance Stores	\$10,523,552	\$10,523,552	\$0	\$0	\$10,523,552	\$10,523,552
Building Materials and Garden Equip.	\$6,299,309	\$6,299,309	\$0	\$0	\$6,299,309	\$6,299,309
Food and Beverage Stores (2)	\$76,369,862	\$22,910,959	\$0	\$0	\$76,369,862	\$22,910,959
Gasoline Stations (3)	\$14,947,712	\$10,894,735	\$0	\$0	\$14,947,712	\$10,894,735
Clothing and Clothing Accessories Stores	\$4,817,119	\$4,817,119	\$0	\$0	\$4,817,119	\$4,817,119
General Merchandise Stores	\$11,524,031	\$11,524,031	\$0	\$0	\$11,524,031	\$11,524,031
Food Services and Drinking Places	\$592,876	\$592,876	\$0	\$0	\$592,876	\$592,876
Other Retail Group	\$17,608,422	\$17,608,422	\$0	\$0	\$17,608,422	\$17,608,422
<b>Subtotal</b>	<b>\$150,167,946</b>	<b>\$92,656,065</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,167,946</b>	<b>\$92,656,065</b>
<b>TOTAL</b>	<b>\$152,041,504</b>	<b>\$94,529,623</b>	<b>\$68,960,801</b>	<b>\$68,960,801</b>	<b>\$221,002,305</b>	<b>\$163,490,424</b>

Source: ALH Urban & Regional Economics.

(1) See Exhibit 9.

(2) As noted on Exhibit 9, 30% of food sales are anticipated to be taxable.

(3) Gasoline sales to consumers include all applicable taxes. See Exhibit 50 for an estimate of the percentage of gasoline sales that comprises the taxable basis.

(4) See Exhibit 10. Reflects the sales anticipated to be made to retail consumers, not wholesale consumers with a resale license, which are assumed to be sales tax exempt due to purchases made subject to a resale license.

**Exhibit 50**  
**Estimated Taxable Basis of Gasoline Sales**

<b>Gasoline Sales Price Component</b>	<b>Figure</b>	<b>Measure</b>
<b>Gasoline Sales</b>		
Hypothetical Sale Price per Gallon of Gasoline (1)	\$3.00	per gallon
Fuel Taxes		
Federal Fuel Tax (2)	\$0.184	tax per gallon
State Fuel Tax (3)	\$0.395	tax per gallon
State Underground Storage Tank Fee (4)	\$0.140	tax per gallon
State Sales Tax (3)	2.25%	total purchase
Local Fuel Tax (5)	1.00%	total purchase
Taxable Base Sales Price per Gallon estimate for 2013-2014 (6)		
Amount	\$2.19	per gallon
Percent of Total Sales	72.9%	total purchase

Sources: Tax Policy Center, "State Motor Fuels Tax Rates, 2013," <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=606>; [californiagasprices.com](http://californiagasprices.com); California State Board of Equalization, Fuel Taxes Division - Tax Rates; California State Board of Equalization, "Tax Rates – Special Taxes and Fees," [http://www.boe.ca.gov/sptaxprog/tax\\_rates\\_stfd.htm#18](http://www.boe.ca.gov/sptaxprog/tax_rates_stfd.htm#18); and ALH Urban & Regional Economics.

(1) This rate is entered as a hypothetical rate for the sole purposes of driving the analysis to deduce the taxable basis of gasoline sales, i.e., the percentage of sales that are taxable.

(2) Federal tax rate per Tax Policy Center for 2013.

(3) Gas prices at the pump are fully loaded with all relevant taxes. To estimate the taxable cost per gallon it is necessary to deduce the taxable base by backing out all applicable taxes. The effective date of the cited taxes is July 1, 2013 according to the State of California Board of Equalization.

(4) State underground storage tank fee per BOE as of January 2014.

(5) See Exhibit 48.

(6) Given the hypothetical sale price per gallon of gasoline, this is the estimated taxable portion less all applicable taxes.

**Exhibit 51**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Estimated Project Taxable Sales Net Project Impacts (1)**  
**2015 Dollars**

BOE Sales Category	Phase I			Increment to Buildout			Total at Buildout		
	Taxable Sales (2)	Project Impact Taxable Sales (3)	Minimum Net Taxable Sales	Taxable Sales (2)	Project Impact Taxable Sales	Minimum Net Taxable Sales	Taxable Sales (2)	Project Impact Taxable Sales (4)	Minimum Net Taxable Sales
Motor Vehicle & Parts Dealers	\$7,485,062	\$0	\$7,485,062	\$0	\$0	\$0	\$7,485,062	\$0	\$7,485,062
Home Furnishings & Appliance Stores	\$10,715,038	\$1,902,224	\$8,812,814	\$7,048,093	\$0	\$7,048,093	\$17,763,130	\$0	\$17,763,130
Building Materials and Garden Equip.	\$6,477,329	\$0	\$6,477,329	\$6,552,455	\$0	\$6,552,455	\$13,029,784	\$0	\$13,029,784
Food and Beverage Stores	\$22,910,959	\$6,964,549	\$15,946,410	\$0	\$0	\$0	\$22,910,959	\$0	\$22,910,959
Gasoline Stations	\$10,894,735	\$219,849	\$10,674,886	\$0	\$0	\$0	\$10,894,735	\$0	\$10,894,735
Clothing and Clothing Accessories Stores	\$5,274,272	\$0	\$5,274,272	\$16,826,611	\$1,327,736	\$15,498,875	\$22,100,883	\$46,544	\$22,054,339
General Merchandise	\$11,700,451	\$0	\$11,700,451	\$6,493,576	\$0	\$6,493,576	\$18,194,028	\$0	\$18,194,028
Food Services and Drinking Places	\$953,937	\$0	\$953,937	\$13,289,717	\$0	\$13,289,717	\$14,243,654	\$0	\$14,243,654
Other Retail	\$18,117,840	\$1,306,122	\$16,811,719	\$18,750,349	\$0	\$18,750,349	\$36,868,189	\$0	\$36,868,189
<b>Total</b>	<b>\$94,529,623</b>	<b>\$10,392,744</b>	<b>\$84,136,879</b>	<b>\$68,960,801</b>	<b>\$1,327,736</b>	<b>\$67,633,065</b>	<b>\$163,490,424</b>	<b>\$46,544</b>	<b>\$163,443,880</b>

Source: ALH Urban & Regional Economics.

(1) The purpose of this exhibit is to estimate the amount of taxable sales that the Project will attract to Pleasanton net of any potential taxable sales diversions from other Pleasanton retailers. The preceding urban decay analysis looked at the analysis relative to the market area, and not specifically the City of Pleasanton. Thus, the cited Project impacts pertain to the market area as a whole. To be extra conservative, subsequent analysis regarding retail sales tax generation assumes that all the Project impacts are experienced by Pleasanton retailers. This is conservative as the impacts will instead be spread throughout the market area, and not concentrated solely in Pleasanton.

(2) See Exhibit 49. Figures are summed for General Retail and Club Retail.

(3) See Exhibit 28. Food Sales and Gasoline Sales have been adjusted to reflect just the taxable portion (see footnotes 5 and 6).

(4) See Exhibit 30.

**Exhibit 52**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Project Property Valuation and Property Taxes**  
**2015 Dollars**

Land Use	Value/Sq. Ft. (1)	Incremental Value (2)		
		Phase 1	Full Buildout	Total
Club Retail	\$300	\$44,400,000	\$0	\$44,400,000
General Retail	\$400	\$1,900,000	\$69,934,060	\$71,834,060
Hotel (3)				
Option 1	\$300	\$26,400,000	\$0	\$26,400,000
Option 2	\$300	\$39,600,000	\$0	\$39,600,000
Total Valuation				
With Hotel Option 1		\$72,700,000	\$69,934,060	\$142,634,060
With Hotel Option 2		\$85,900,000	\$69,934,060	\$155,834,060
Annual Property Tax (4)				
With Hotel Option 1		\$179,133	\$172,318	\$351,450
With Hotel Option 2		\$211,658	\$172,318	\$383,975

Sources: Memorandum, Brion & Associates, "Draft Summary - Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton, February 5, 2015; and ALH Urban & Regional Economics.

(1) See Table 3, Brion & Associates Memorandum.

(2) Comprises the net increment per development period. See square footages by period in Exhibit 47.

(3) ALH Economics believes the hotel value per square foot figure may be low given the current hotel concept. However, for the sake of both consistency and conservatism this fiscal impact analysis continues to assume the \$300 per square foot value included in the Brion & Associates analysis.

(4) See Exhibit 48 for the City of Pleasanton property tax rate, applied to 1.0% of the property value.

**Exhibit 53****Johnson Drive Economic Development Zone (EDZ)****Property Tax in Lieu of VLF Estimates****Incremental Valuation Attributable to Johnson Drive Economic Development Zone (EDZ) Development****City of Pleasanton, FY 2015/16**

Category	Phase 1	Increment to Buildout	Full Buildout
<b>Assessed Value Change</b>			
City of Pleasanton Property Assessed Valuation (1)	\$19,586,930,736	\$19,586,930,736	\$19,586,930,736
Property Valuation Increment Attributable to Johnson Drive EDZ (2)			
With Hotel Option 1	\$72,700,000	\$69,934,060	\$142,634,060
With Hotel Option 2	\$85,900,000	\$69,934,060	\$155,834,060
Percent Increase in City of Pleasanton Property Valuation Attributable to Johnson Drive EDZ			
With Hotel Option 1	0.37%	0.36%	0.73%
With Hotel Option 2	0.44%	0.36%	0.80%
<b>VLF in Lieu Revenue</b>			
FY 2015-2016 Projected (1)	\$5,580,000	\$5,580,000	\$5,580,000
<b>City Increase (Annual)</b>			
Percent Assessed Value			
With Hotel Option 1	0.37%	0.36%	0.73%
With Hotel Option 2	0.44%	0.36%	0.80%
VLF In Lieu Revenue Attributable to Johnson Drive EDZ (3)			
With Hotel Option 1	\$20,711	\$19,923	\$40,634
With Hotel Option 2	\$24,472	\$19,923	\$44,395

Sources: "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016-17"; and ALH Urban & Regional Economics.

(1) See Exhibit 48.

(2) See Exhibit 52.

**Exhibit 54**  
**Select City of Pleasanton General Fund Revenue Factors**  
**City of Pleasanton, FY 2014/15 Dollars**

<b>Revenue Category</b>	<b>Amount</b>
<b>Daytime Population Factors (1)</b>	
Other Taxes (i.e., Public Safety Sales Tax and Other Taxes)	\$7.98
Business Licenses	\$26.62
Interfund Revenue	\$12.74
Interest Income and Rent	\$2.38
Franchise Fees	\$22.45
Miscellaneous Revenues	\$0.30
Licenses and Misc. Permits	\$0.21
Total (2)	\$72.68
Total per Employee (3)	\$36.34
<b>Sales Tax Factors</b>	
Sales Tax Per Employee (4)	\$26.38
Sales Tax Per Occupied Hotel Room (5)	\$0.50

Sources: Memorandum, Brion & Associates, "Draft Summary - Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton, February 5, 2015; and ALH Urban & Regional Economics.

(1) These figures comprise the estimates prepared by Brion & Associates. They are presented in Table 4 of the Brion & Associates Memorandum. Some of these figures reflect adjustments that were difficult to track in the City of Pleasanton's FY 2015/16 Operating Budget, thus ALH Urban & Regional Economics conservatively incorporated the Brion & Associates figures into the current analysis. This is conservative as the Brion & Associates analysis reflects Fiscal Year 2014/15 dollars, while the current project analysis is based on Fiscal Year 2015/16 dollars.

(2) This comprises the total per employee General Fund revenue figure applicable to the Project in 2015 dollars.

(3) The Brion & Associates daytime figures pertain to the service population, which includes residents and one-half the population base. Thus, the revenue estimate per employee is equivalent to one-half the daytime estimate. This is reflected in the Brion & Associates analysis.

(4) This figure was deduced by ALH Urban & Regional Economics based upon figures included in Table A-3 in the Brion & Associates Memorandum. For all scenarios presented, ALH Urban & Regional Economics took the "City Employee Sales Tax Revenues" figure divided by the "Estimated Total Employment," to deduce a \$26.38 per employee sales tax revenue figure.

(5) This figure was deduced by ALH Urban & Regional Economics based upon figures included in Table A-3 in the Brion & Associates Memorandum. For all scenarios presented, ALH Urban & Regional Economics took the "City Sales Tax from Visitors" and divided it by number of visitors to deduce a \$0.50 per visitor sales tax revenue figure. For the purpose of the Brion & Associates analysis, visitors are equal to the number of occupied hotel rooms. ALH Urban & Regional Economics believes this is conservative as the analysis effectively assumes one visitor per hotel room, while hotel room occupancy typically exceeds one guest per room on average.



**Exhibit 55**  
**Johnson Drive Economic Development Zone**  
**Select City of Pleasanton General Fund Revenues (1)**  
**City of Pleasanton, FY 2015/16 Dollars**

<b>Revenue Source</b>	<b>Phase I</b>	<b>Full Buildout</b>
<b>Sales Tax</b>		
Sales from Retail Businesses (2)	\$841,369	\$1,634,439
Sales from Employee Spending (3)		
Option 1 (150 rooms)	\$5,967	\$17,498
Option 2 (231 rooms)	\$6,354	\$17,885
Sales from Hotel Visitors		
Option 1 (150 rooms)	\$20,531	\$20,531
Option 2 (231 rooms)	\$31,618	\$31,618
<b>Transient Occupancy Tax (4)</b>		
Option 1 Hotel	\$410,625	\$410,625
Option 2 Hotel	\$632,363	\$632,363
<b>Employee-Based Revenues (5)</b>		
Option 1 (150 rooms)	\$8,220	\$24,104
Option 2 (231 rooms)	\$8,753	\$24,637

Source: ALH Urban & Regional Economics.

(1) Includes select revenue categories.

(2) Sales tax of 1.0% from Exhibit 48 is applied to the Project's estimated net taxable retail sales presented in Exhibit 51.

(3) Using the Brion & Associates assumptions, the analysis assumes hotel occupancy at 75%, with spending applied to the occupied room (i.e. annual visitors). Thus, Option 1 with 150 rooms has 41,062.5 occupied rooms a year (or visitors), and Option 2 has 63,236.25 occupied rooms a year (or visitors).

(4) The analysis assumes a nightly room rate of \$125. This is the rate included in the Brion & Associates Memorandum. Based upon the room rates presented in Exhibit 36 this is a conservative figure. A more market-based assumption would result in higher estimated transient occupancy taxes.

(5) Reflects the per employee factor of \$36.34 derived in Exhibit 54 multiplied by estimated employees.

**Exhibit 56**  
**City of Pleasanton General Fund Average Cost Expenditures**  
**FY 2015/16 Operating Budget**

City Department	FY 2015/16 Budget (1)	Estimated Offsetting Revenues (2)		Net Departmental Costs (3)	Percent Fixed (4)	Net Variable Costs (5)	Cost Allocation to Employment Uses (4)	Existing Employment Base (6)	Expenditure per Employee (7)
		Percent	Amount						
<b>General Government</b>	\$14,470,209	2.1%	\$298,561	\$14,171,648	50%	\$7,085,824	25%	58,520	\$30.27
<b>Community Development</b>	\$12,453,540	44.0%	\$5,481,903	\$6,971,637	15%	\$5,925,892	25%	58,520	\$25.32
<b>Operations Services</b>	\$17,254,056	2.9%	\$492,191	\$16,761,865	20%	\$13,409,492	20%	58,520	\$45.83
<b>Community Services</b>	\$7,794,660	NA	\$3,957,820 (8)	\$3,836,840	10%	\$3,453,156	25%	58,520	\$14.75
<b>Library</b>	\$4,527,377	NA	\$122,200 (9)	\$4,405,177	10%	\$3,964,659	25%	58,520	\$16.94
<b>Police</b>	\$27,301,462	4.3%	\$1,178,549	\$26,122,913	10%	\$23,510,622	25%	58,520	\$100.44
<b>Fire</b>	\$16,941,162	7.8%	\$1,313,077	\$15,628,085	10%	\$14,065,277	25%	58,520	\$60.09
<b>Total</b>	<u>\$100,742,466</u>	12.9%	<u>\$12,844,300</u>	<u>\$87,898,166</u>		<u>\$71,414,921</u>		<u>58,520</u>	<u>\$293.63 (10)</u>

Sources: Memorandum, Brion & Associates, "Draft Summary - Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton, February 5, 2015; "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016/17"; and ALH Urban & Regional Economics.

(1) See "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016/17," page 36. Total figure may not match source due to rounding.

(2) Except where noted, the offsetting revenues are estimated based upon the figures reported in Table 5a of the Brion & Associates Memorandum. ALH Economics was unsure of the correct more recent budget figures for select Brion & Associates figures in these columns based upon the documentation included in the Brion & Associates Memorandum, and thus calculated the Offsetting Revenues as a percentage of the cited expenditures in the Brion & Associates Memorandum and used the resulting percentages to estimate comparable offsetting revenues for Fiscal Year 2015/16.

(3) Comprises budgeted expenditures less the estimated offsetting revenues.

(4) See Table 5, Brion & Associates Memorandum.

(5) Fiscal impact studies that examine municipal expenditures on an average cost basis, such as this analysis, often assume a portion of City expenditures are fixed and will not vary with a change in the population served. The resulting variable expenditures are then allocated across the relevant population served, which could include just residents, just employees, or the service population, which includes both residents and an allocation for employees. For the purpose of this analysis, and to parallel the cited Brion & Associates analysis, the expenditures presented in this column comprise the expenditures applicable to allocation among the City's variable service population, comprising employees and residents.

(6) See Exhibit 48.

(7) Equal to (Net Variable Costs\* Cost allocation to Employment Uses)/Existing Employment Base. This comprises a per employee estimate of the expenditure per city service area.

(8) See "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016/17," page 145,.

(9) See "City of Pleasanton, California Operating Budget, FY 2015/16 - FY 2016/17," page 158.

(10) This compares to \$269.69 derived by Brion & Associates for FY 2014/15. See Table 5A in the Brion & Associates Memorandum.

**Exhibit 57**  
**Johnson Drive Economic Development Zone (EDZ)**  
**Annual Net Fiscal Impact Analysis (1)**  
**City of Pleasanton General Fund**  
**FY 2015/16 Dollars**

<b>General Fund Revenues and Expenditures Categories</b>	<b>Option 1 Hotel (150 rooms)</b>		<b>Option 2 Hotel (231 rooms)</b>	
	<b>Phase I</b>	<b>Buildout</b>	<b>Phase I</b>	<b>Buildout</b>
<b>Net Fiscal Revenues (2)</b>				
Property Taxes (3)	\$179,133	\$351,450	\$211,658	\$383,975
Property Tax in Lieu of VLF (4)	\$20,711	\$40,634	\$24,472	\$44,395
Retail Store Retail Sales Taxes (5)	\$841,369	\$1,634,439	\$841,369	\$1,634,439
Other Retail Sales Taxes (Employees and Hotel Guests) (5)	\$8,220	\$24,104	\$8,753	\$24,637
Transient Occupancy Taxes (5)	\$410,625	\$410,625	\$632,363	\$632,363
Employee-Based Revenues (5)	\$8,220	\$24,104	\$8,753	\$24,637
Sub-total	\$1,468,278	\$2,485,357	\$1,727,367	\$2,744,445
<b>Expenditures (6) (7)</b>				
General Government	\$6,848	\$20,079	\$7,292	\$20,523
Community Development	\$5,727	\$16,792	\$6,098	\$17,163
Operations Services	\$10,367	\$30,398	\$11,039	\$31,070
Community Services	\$3,337	\$9,785	\$3,553	\$10,001
Library	\$3,831	\$11,234	\$4,080	\$11,483
Police	\$22,720	\$66,620	\$24,193	\$68,094
Fire	\$13,592	\$39,856	\$14,474	\$40,737
Sub-total	\$66,422	\$194,764	\$70,728	\$199,071
<b>General Fund Net Impact (8) (9)</b>	<b>\$1,401,857</b>	<b>\$2,290,593</b>	<b>\$1,656,639</b>	<b>\$2,545,375</b>
<b>General Fund Net Impact Assuming Lower Club Retail Sales (9)(10)</b>				
Amount	\$1,108,820	\$1,927,692	\$1,363,603	\$2,182,474
Percent of Net Impact Assuming Higher Club Retail Sales	79.1%	84.2%	82.3%	85.7%

Sources: Memorandum, Brion & Associates, "Draft Summary - Johnson Drive EDZ Fiscal Impact Analysis, City of Pleasanton, February 5, 2015; and ALH Urban & Regional Economics.

(1) Includes estimated General Fund revenues less estimated General Fund expenditures.

(2) Includes the most substantial revenues anticipated to accrue to the City of Pleasanton General Fund resulting from the Project's stabilized operations. However, there may be yet additional revenues flowing to the General Fund pursuant to the Project's operations. This analysis also include the revenues and expenditures included in the Brion & Associates February 2015 analysis for the Johnson Drive EDZ.

(3) See Exhibit 52.

(4) See Exhibit 53.

(5) See Exhibit 55.

(6) The estimated service costs per employee were derived in Exhibit 56. These costs were multiplied by the estimated number of Project employees presented in Exhibit 47.

(7) It is possible the City of Pleasanton may be responsible for a portion of the Project's transportation costs, but the amount of this expenditure is not presently identified. Thus, Project expenditures may increase by some as yet unidentified amount.

(8) Comprises revenues less expenditures.

(9) Depending upon whether or not the City funds a portion of the Project's transportation costs, as referenced in footnote (7), the net revenues generated by the Project may be lower than estimated.

(10) The Brion & Associates analysis assumed a lower sales per square foot figure for the club retail space than assumed in the preceding urban decay analysis. This sales figure was \$700 per square foot (see Table A-3 in the Brion & Associates Memorandum). At this lesser level of sales performance the amount of sales tax generated by the club retail space would be lower. ALH Economics estimates that the Retail Store Retail Sales Taxes assuming the \$700 per square foot sales performance would result in approximately 35% lower retail sales taxes for Hotel Option 1, and 22% lower retail sales taxes for Hotel Option 2. This estimation was determined through sensitivity analysis, and continues to include some assumption for diverted retail sales from existing retailers.

## **APPENDIX B: SUPPORT EXHIBITS**

**Exhibit B-1**
**Calculation of Sales per Square Foot Estimates**
**Select Retail Stores and Store Types**
**2010 through 2013, and 2015 Projected (1)**

Store or Category (2)	2010		2011		2012		2013		Average
	In 2010\$'s	In 2015\$'s	In 2011\$'s	In 2015\$'s	In 2012\$'s	In 2015\$'s	In 2013\$'s	In 2015\$'s	In 2015\$'s
<b>Apparel</b>									
Apparel - Specialty	\$405	\$444	\$447	\$476	\$472	\$492	\$451	\$463	\$469
Women's Apparel	\$365	\$400	\$455	\$485	\$515	\$537	\$473	\$486	\$477
Shoe Stores	\$371	\$406	\$454	\$484	\$487	\$508	\$475	\$488	\$471
Ross Dress for Less	\$324	\$355	\$195	\$208	\$195	\$203	\$362	\$372	\$284
Kohl's	\$229	\$251	\$215	\$229	\$209	\$218	\$190	\$195	\$223
<b>Discount Stores</b>	\$196	\$215	\$212	\$226	\$213	\$222	\$202	\$208	\$218
Target	\$282	\$309	\$290	\$309	\$304	\$317	\$297	\$305	\$310
Wal-Mart	\$422	\$462	\$499	\$532	\$456	\$475	\$376	\$386	\$464
<b>Department Stores Category</b>	\$252	\$276	\$276	\$294	\$274	\$286	\$285	\$293	\$287
Sears	\$206	\$226	\$205	\$218	\$210	\$219	\$161	\$165	\$207
<b>Domestics Category</b>	\$294	\$322	\$288	\$307	\$268	\$279	\$300	\$308	\$304
<b>Furniture Category</b>	\$198	\$217	\$290	\$309	\$361	\$376	\$449	\$461	\$341
Average of Domestics & Furniture	\$246	\$269	\$289	\$308	\$315	\$328	\$375	\$385	\$323
<b>Neighborhood Center Category</b>									
Supermarkets	\$535	\$586	\$533	\$568	\$575	\$600	\$611	\$628	\$595
Specialty/Organic	\$510	\$559	\$658	\$701	\$698	\$728	\$756	\$777	\$691
Drug Stores	\$724	\$793	\$657	\$700	\$667	\$695	\$629	\$646	\$709
Rite Aid	\$421	\$461	\$560	\$596	\$549	\$572	\$556	\$571	\$550
CVS	\$802	\$878	\$806	\$858	\$883	\$921	\$875	\$899	\$889
<b>Restaurants Category</b>	\$429	\$470	\$496	\$528	\$480	\$501	\$486	\$499	\$500
Casual Dining	\$431	\$472	\$578	\$616	\$563	\$587	\$567	\$583	\$564
Fast Food Chains	\$431	\$472	\$507	\$540	\$492	\$513	\$543	\$558	\$521
Starbucks	\$671	\$735	\$749	\$798	\$785	\$819	\$1,012	\$1,040	\$848
<b>Home Improvement</b>	\$269	\$295	\$278	\$296	\$287	\$299	\$301	\$309	\$300
<b>Auto - DIY Stores (3)</b>	\$205	\$225	\$218	\$232	\$220	\$229	\$217	\$223	\$227
<b>Other Retail Categories</b>									
Accessories	\$778	\$852	\$978	\$1,042	\$1,191	\$1,242	\$1,032	\$1,060	\$1,049
HBA, Home Fragrances	\$541	\$593	\$474	\$505	\$531	\$554	\$519	\$533	\$546
Electronics & Appliances	\$686	\$751	\$1,171	\$1,247	\$821	\$856	\$946	\$972	\$957
Office Supplies	\$263	\$288	\$270	\$288	\$262	\$273	\$283	\$291	\$285
Sports	\$226	\$248	\$239	\$255	\$252	\$263	\$253	\$260	\$256
Pet Supplies	\$185	\$203	\$188	\$200	\$218	\$227	\$234	\$240	\$218
Book Superstores	\$180	\$197	\$247	\$263	\$210	\$219	\$189	\$194	\$218
Toys	\$320	\$351	\$333	\$355	\$312	\$325	\$220	\$226	\$314
Music Superstores	\$318	\$348	\$317	\$338	\$314	\$327	\$292	\$300	\$328
Gifts, Hobbies & Fabrics	\$124	\$136	\$136	\$145	\$137	\$143	\$151	\$155	\$145
Ulta Salon, Cosmetics, & Fragrances	\$368	\$403	\$402	\$428	\$380	\$396	\$373	\$383	\$403
Average of Other Retail Categories	\$363	\$397	\$432	\$460	\$421	\$439	\$408	\$420	\$429

Sources: Retail MAXIM, "Alternative Retail Risk Analysis for Alternative Capital" 2011, 2012, 2013, and 2014 (all publications present figures in the prior year dollars); United States Bureau of Labor Statistics Consumer Price Index - All Urban Consumers; and ALH Urban & Regional Economics.

(1) Figures are adjusted to 2015 pursuant to the April CPI Index for all urban consumers.

(2) Includes industry-and category-representative stores.

(3) Average reflects a four-year trend.

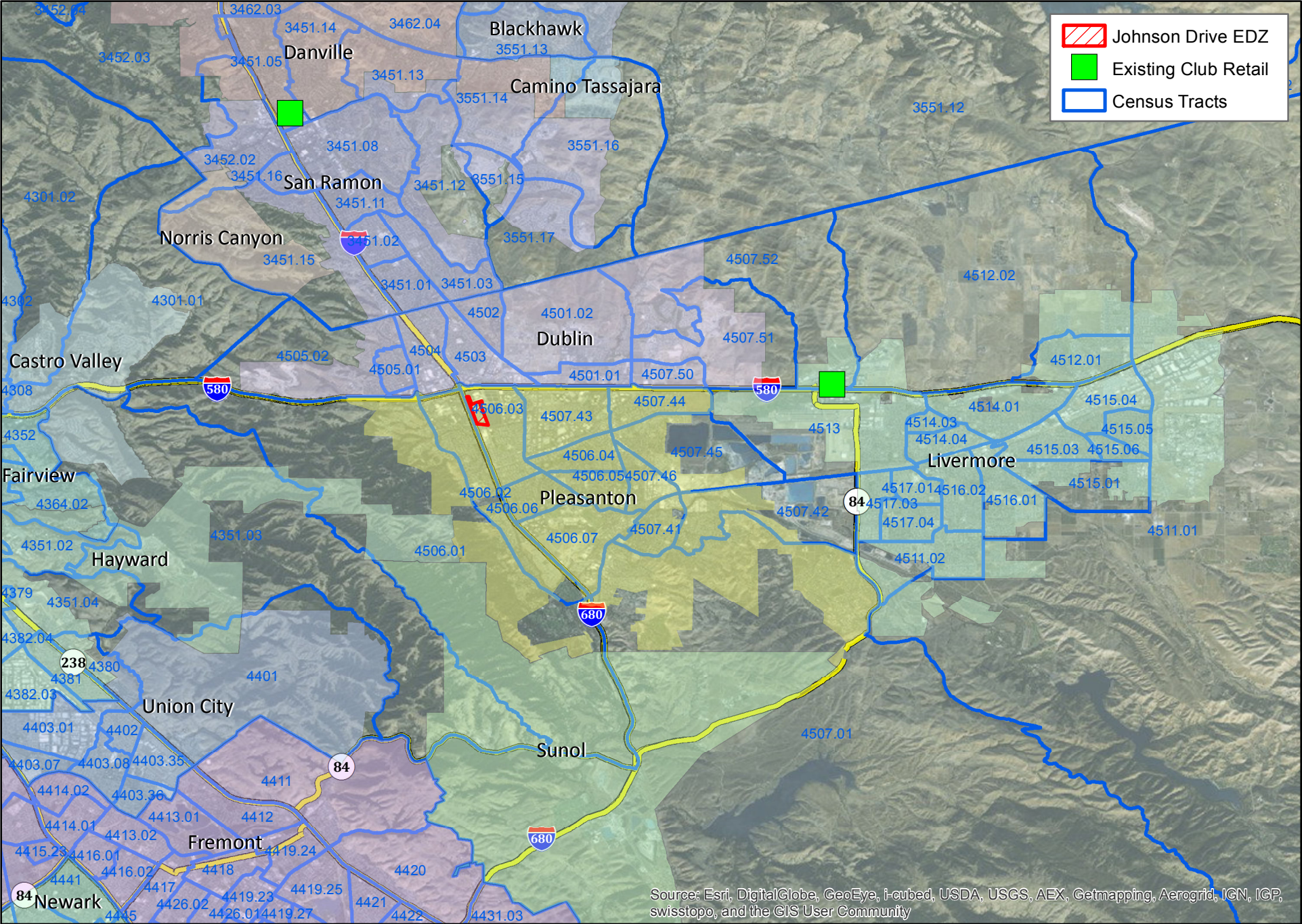
**Exhibit B-2****Johnson Drive EDZ Market Area Census Tracts and the Associated Jurisdiction**

<b>Census Tract GeoID</b>	<b>Census Tract</b>	
	<b>Number</b>	<b>Majority Jurisdiction</b>
06001450101	4501.01	Dublin
06001450102	4501.02	Dublin
06001450200	4502	Dublin
06001450300	4503	Dublin
06001450400	4504	Dublin
06001450501	4505.01	Dublin
06001450502	4505.02	Dublin
06001450601	4506.01 - Partial	Pleasanton
06001450602	4506.02	Pleasanton
06001450603	4506.03	Pleasanton
06001450604	4506.04	Pleasanton
06001450605	4506.05	Pleasanton
06001450606	4506.06	Pleasanton
06001450607	4506.07	Pleasanton
06001450701	4507.01 - Partial	Pleasanton/Sunol
06001450741	4507.41	Pleasanton
06001450742	4507.42	Pleasanton
06001450743	4507.43	Pleasanton
06001450744	4507.44	Pleasanton
06001450745	4507.45 - Partial	Pleasanton
06001450746	4507.46	Pleasanton

Sources: ESRI ArcMap; US Census Tigerline Shapefiles 2015; and ALH Urban & Regional Economics.



Exhibit B-3: Johnson Drive Economic Development Zone Project, Area Club Retail, and Census Tracts



0 1.5 3 6 Miles



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**Exhibit B-4**  
**Johnson Drive EDZ Market Area Census Tracts**  
**Population and Housing Estimates and Projections**  
**2015-2030**

Census Tract	Population				Households			
	2015	2020	2025	2030	2015	2020	2025	2030
4501.01	5,722	7,134	8,515	10,010	2,435	3,063	3,663	4,305
4501.02	10,117	10,862	11,965	13,170	1,343	1,445	1,550	1,670
4502	4,247	4,423	4,600	4,781	2,004	2,084	2,156	2,229
4503	4,793	5,028	5,247	5,466	1,626	1,701	1,768	1,834
4504	6,299	6,645	7,010	7,410	2,154	2,276	2,398	2,534
4505.01	3,455	3,772	4,074	4,380	1,377	1,510	1,629	1,750
4505.02	4,368	4,546	4,724	4,901	1,558	1,618	1,673	1,728
4506.01 - Partial (1)	3,095	3,147	3,207	3,263	1,154	1,171	1,186	1,202
4506.02	8,953	9,189	9,452	9,723	3,267	3,348	3,425	3,508
4506.03	4,783	4,908	5,046	5,191	1,552	1,590	1,627	1,667
4506.04	4,923	5,047	5,175	5,309	1,709	1,749	1,787	1,826
4506.05	3,777	3,873	3,973	4,077	1,393	1,425	1,455	1,486
4506.06	5,878	6,026	6,185	6,345	1,988	2,034	2,076	2,121
4506.07	5,391	5,517	5,654	5,792	2,288	2,341	2,389	2,439
4507.01 - Partial (2)	7,858	8,044	8,244	8,453	2,529	2,584	2,635	2,689
4507.41	4,893	5,019	5,162	5,301	1,805	1,845	1,883	1,921
4507.42	4,694	4,810	4,932	5,061	1,823	1,864	1,903	1,943
4507.43	6,236	7,795	9,331	10,983	2,512	3,131	3,725	4,356
4507.44	4,978	5,145	5,340	5,564	1,596	1,647	1,701	1,765
4507.45 - Partial (3)	6,106	6,260	6,419	6,584	2,042	2,088	2,132	2,176
4507.46	3,232	3,312	3,392	3,482	1,254	1,282	1,309	1,336
<b>Total</b>	<b>113,799</b>	<b>120,502</b>	<b>127,647</b>	<b>135,247</b>	<b>39,409</b>	<b>41,796</b>	<b>44,071</b>	<b>46,485</b>

Sources: Association of Bay Area Governments (ABAG), "Population & Households Projections 2013" by census tract; and ALH Urban & Regional Economics.

(1) These figures comprise 90% of the population and household estimates and projections prepared by ABAG for this census tract. This is attributable to most, but not all of the census tract being located in the market area, as some portions of this census tract are closer to other existing club retail locations and thus not anticipated to comprise the market area for the Project. However, observation of satellite imaging indicates that the majority of the population base is located in the portion of the census tract located in the market area. Hence the 90% assumption included in the analysis.

(2) These figures comprise 95% of the population and household estimates and projections prepared by ABAG for this census tract. This is attributable to most, but not all of the census tract being located in the market area, as some portions of this census tract are closer to other existing club retail locations and thus not anticipated to comprise the market area for the Project. However, observation of satellite imaging indicates that the majority of the population base is located in the portion of the census tract located in the market area. Hence the 95% assumption included in the analysis.

(3) These figures comprise 100% of the population and household estimates and projections prepared by ABAG for this census tract. This is attributable to most, but not all of the census tract being located in the market area, as some portions of this census tract are closer to other existing club retail locations and thus not anticipated to comprise the market area for the Project. However, observation of satellite imaging indicates that the majority of the population base is located in the portion of the census tract located in the market area. Hence the 100% assumption included in the analysis.



**Exhibit B-5****State of California Board of Equalization Taxable Retail Sales Estimates by Retail Category****2013****(in \$000s)**

<b>Type of Retailer</b>	<b>Total Taxable Sales (1)</b>	<b>State of California Taxable Sales Adjusted to Total Retail</b>	<b>% of Total</b>
Motor Vehicle & Parts Dealers	\$67,986,436	\$67,986,436	13.8%
Home Furnishings & Appliances	\$25,411,008	\$25,411,008	5.2%
Building Materials & Garden Equipment	\$29,680,053	\$29,680,053	6.0%
Food & Beverage Stores	\$25,289,203	\$84,297,343 (2)	17.1%
Gasoline Stations	\$56,860,585	\$56,860,585	11.5%
Clothing & Clothing Accessories	\$34,918,036	\$34,918,036	7.1%
General Merchandise Stores	\$51,431,094	\$68,574,792 (3)	13.9%
Food Services & Drinking Places	\$62,776,360	\$62,776,360	12.8%
Other Retail Group	\$48,086,943	\$61,813,158 (4)	12.6%
<b>Total (5)</b>	<b>\$402,439,718</b>	<b>\$492,317,771</b>	<b>100%</b>

Sources: California State Board of Equalization (BOE), "Taxable Sales in California (Sales & Use Tax) during 2013"; U.S. Economic Census, "Retail Trade: Subject Series - Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007"; and ALH Urban & Regional Economics.

(1) Taxable sales are pursuant to reporting by the BOE.

(2) Sales for Food and Beverage Stores have been adjusted to account for non-taxable sales; only 30.0% of all food store sales are estimated to be taxable.

(3) Sales for General Merchandise Stores have been adjusted to account for non-taxable food sales, since some General Merchandise Store sales include non-taxable food items. ALH Urban & Regional Economics estimates that at least 25% of General Merchandise sales are for grocery items that are also non-taxable. This estimate is based on analysis of the 2007 U.S. Economic Census, which attributes approximately 26% of General Merchandise Stores sales to food.

(4) Sales for Other Retail Group have been adjusted to account for non-taxable drug store sales, since drug store sales are included in the Other Retail Group category. ALH Urban & Regional Economics estimates that 33.0% of drug store sales are taxable, based on discussions with the California BOE and examination of U.S. Census data. In California, drug store sales in 2013 represented approximately 14.06% of all Other Retail Group sales. ALH Urban & Regional Economics applied that percentage and then adjusted upward for non-taxable sales.

(5) Totals may not add up due to rounding.

**Exhibit B-6**  
**Household Income Spent on Retail (1)**  
**United States**  
**2013**

<b>Characteristic</b>	<b>All Consumer Units</b>	<b>Household Income Range</b>		
		<b>\$40,000 to \$49,999</b>	<b>\$50,000 to \$69,999</b>	<b>\$70,000 and more</b>
Average HH Income	\$63,784	\$44,576	\$59,101	\$131,945
Amount Spent on Retail (2)	\$20,555	\$17,769	\$21,104	\$32,771
Percent Spent on Retail (3)	32%	40%	36%	25%

Sources: Table 1202. Income before taxes: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 2013, U.S. Bureau of Labor Statistics; and ALH Urban & Regional Economics.

(1) Includes retail categories estimated to be equivalent to the retail sales categories compiled by the State of California, Board of Equalization.

(2) Includes the Consumer Expenditures categories of: food; alcoholic beverages; laundry and cleaning supplies; other household products; household furnishings and equipment; apparel and services; vehicle purchases, cars and trucks, new; vehicle purchases, cars and trucks, used; vehicle purchases, other vehicles; gasoline and motor oil; 1/2 of maintenance and repairs (as a proxy for taxable parts); drugs; medical supplies; audio and visual equipment and services; pets, toys, hobbies, and playground equipment; other entertainment supplies, equipment, and services; personal care products and services; and reading; tobacco products and smoking supplies.

(3) Percentages may be low as some expenditure categories may be conservatively undercounted by ALH Economics.

**Exhibit B-7**

**Board of Equalization Omitted Taxable Sales Estimates for the City of Dublin**  
**Using Alameda County Sales Percentages**  
**Fourth Quarter 2013 through Third Quarter 2014**  
**(in \$000s)**

<b>Type of Retailer</b>	<b>Alameda County</b>		<b>City of Dublin</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Given</b>	<b>Calculated</b>
	<b>[A]</b>	<b>[B]</b>	<b>[C]</b>	<b>[E = B * D]</b>
<b>Q4 2013</b>				
General Merchandise	\$610,110	13.4%	#	\$45,483
Other Retail Group	--	--	\$58,520	\$13,037 (1)
<b>Total</b>	<b>\$4,565,159</b>	<b>--</b>	<b>\$340,325</b>	<b>--</b>
<b>Q1 2014</b>				
General Merchandise	\$420,137	10.4%	#	\$30,643
Other Retail Group	--	--	\$43,475	\$12,832 (1)
<b>Total</b>	<b>\$4,053,966</b>	<b>--</b>	<b>\$295,676</b>	<b>--</b>
<b>Q2 2014</b>				
General Merchandise	\$465,703	10.4%	#	\$34,812
Other Retail Group	--	--	\$50,348	\$15,536 (1)
<b>Total</b>	<b>\$4,471,623</b>	<b>--</b>	<b>\$334,257</b>	<b>--</b>
<b>Q3 2014</b>				
General Merchandise	\$472,263	10.5%	#	\$35,435
Other Retail Group	--	--	\$50,448	\$15,013 (1)
<b>Total</b>	<b>\$4,517,673</b>	<b>--</b>	<b>\$338,973</b>	<b>--</b>

Sources: California State Board of Equalization (BOE), "Taxable Sales in California" reports, for Fourth Quarter 2013, First Quarter 2014, Second Quarter 2014, and Third Quarter 2014; and ALH Urban & Regional Economics.

(1) The BOE omits certain sales because their publication would result in the disclosure of confidential information; the omitted sales are included in the Other Retail Group sales. The Other Retail Group is calculated by taking the figure given by the BOE and subtracting the new estimated for the categories that had been omitted.